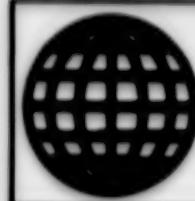


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QIUSHI on Marxist Outlook on Women

HK0705100392 Beijing QIUSHI in Chinese No 5,
1 Mar 92 pp 19-23

[Article by Luo Qiong (5012 3890), member of the Chinese People's Political Consultative Conference Standing Committee: "Successful Practice of Marxist Outlook on Women in China"]

[Text] The Marxist outlook on women is a scientific analysis, and summary of such issues as women's social status and its evolution, social role, and rights, and the way for women's emancipation by applying the world outlook and methodology of dialectical and historical materialism. In the course of combining Marxism with the concrete practice of revolution and construction in China, the CPC has all along persisted in applying the basic theory of Marxism and Marxist outlook on women in directing the women's movement to develop constantly in a correct direction. History has proved that the Chinese women's liberation is the result of China's successful practice of the Marxist outlook on women.

While establishing the theoretical system of Marxist philosophy, political economics, and scientific socialism as early as the mid-19th century, proletarian revolutionary teachers Marx and Engels developed the Marxist outlook on women. In their magnificent masterpieces, which contain both extensive and expert knowledge, such as the "Manifesto of the Communist Party," "Anti-Duhring," and "The Origin of the Family, Private Property, and the State" as well as nearly 100 theses and dozens of letters, with the breadth of mind to liberate the proletariat, all of mankind, and oppressed women and the sharp vision and strict scientific attitude of dialectical and historical materialism, they unequivocally pointed out the bright road to the oppressed women's liberation and thus formed the Marxist outlook on women. Afterwards, in accordance with the practice of revolution and construction, Lenin and Mao Zedong upheld and developed the Marxist outlook on women. The contents of the Marxist outlook on women are:

Bring to light the evolution of women's social status in the history of the development of human society; expound that the oppression of women is the twinned product of private ownership of the means of production and the system of class exploitation, and that it is a special form of class oppression.

Explain the origin, evolution, and nature of the family in the development history of human society and reveal that women were deprived of the right to freedom of love and marriage, placed in the subordinate position in the family, and acted as a tool for the husband to give birth to offspring to inherit private property. This phenomenon is the disastrous effect of the private ownership of production means.

Expose the capitalist system's exploitation and ravagement of women, closely associate women's liberation with the proletarian revolution, and point out that

thorough the emancipation of women and the right to freedom of choice in marriage based on love can only be realized in the new socialist and communist society where the exploiting system is eliminated.

Highly appraise the oppressed women's role as yeast in creating history and pushing forward great social changes; fully affirm that women's participation in society's public work is the first precondition for the liberation of women and that men and women should enjoy equal right in activities in all fields of society; and regard the consciousness and the rising of women as one of the key factors in determining the success of revolution and construction.

Having been under special oppression for a long time, to safeguard women's rights and foster a large number of women activists to work among the masses of women and play an exemplary role, women need to set up separate women's organizations suitable to their situations aside from the revolutionary organizations jointly participated in by men and women.

Called a great breakthrough, the facilities that are conducive to women's liberation and equality between sexes, such as nurseries, public canteens, and other facilities that socialize household chores, should be further developed.

A few years ago, some people attempted to use the excuse that Marx had "no books written about women" to deny the Marxist outlook on women and its guidance on the women's liberation movement. This is sheer nonsense resulting from not reading Marxist-Leninist works, having no understanding of history, and taking no account of reality. The practice of Chinese women's liberation has proved that the great guiding role of the Marxist outlook on women is an objective reality which nobody can deny.

In the dark old society, the masses of Chinese women were squeezed onto the lowest rung of society for a long time and shackled by reactionary regimes and the authorities of clans, religions, and husbands; and were even deprived of the right of survival and freedom of person. They longed for liberation and constantly resisted with blood and life. Women peasants and workers actively participated in peasant uprisings of all ages. But due to the confinement of history, all peasant uprisings failed and, of course, the great numbers of working women were unable to break from the oppression and shackles of feudal rule.

In his effort to set up the Tong Meng Hui, Sun Yat-sen, the pioneer of the bourgeois democratic revolution, called upon men and women to work in full cooperation and with unity of purpose to overthrow the Qing Dynasty, found the republic, and practice equal right between men and women. Some women courageously joined the revolution to struggle for equal rights between men and women. This struggle played a role in opposing the feudal shackles on women but later failed, like the 1912 Revolution. Later on, there were ups and downs in

the bourgeois feminist movement. A handful of people petitioned and begged for women's rights, but their actions, like stones thrown into the sea, failed to produce any ripples.

Historical facts tell people that peasant uprisings can save neither peasants nor women. The old democratic revolution led by the bourgeoisie, while attempting to imitate the West to take the capitalist road and engage in the bourgeois feminist movement, walked into a blind alley as it was unsuitable to China's conditions. This cannot but make people deeply ponder and explore new roads for revolution and liberation.

Shortly before and after the May 4th Movement in 1919, Marxism-Leninism and its outlook on women were widely circulated among advanced personages in our country and were integrated with the workers' movement. In their revolutionary practice at home and abroad, Xiang Jingyu, Cai Chang, and Deng Yingchao, who represented advanced women at that time, studied Marxism-Leninism and its outlook on women with great eagerness and pursued the truth with enormous efforts. Under their impact, more and more women joined the ranks of pursuing the truth of Marxism-Leninism and exploring the road to women's liberation.

The CPC's birth has epoch-making historical significance for the liberation of Chinese women. Shortly after its founding, the CPC declared to the people across the country that the party took Marxism-Leninism as a guide, the realization of socialism and communism in China as its ultimate goal, and the emancipation of the oppressed and exploited laboring people, both men and women, as its duty. For decades, the CPC has always taken women's liberation and equal rights between the sexes as an important goal to strive for and the women's liberation movement as part of the revolution and construction and, centering on the party's central work and task, raised specific tasks for women's movement and gradually solved problems of immediate concern to women, so that the cause of women's liberation can march forward in step with the development of revolution and construction. It is precisely under the CPC's leadership that the masses of Chinese women, with Marxism and its outlook on women as the guide, have actively devoted to the cause of revolution and construction and made enormous sacrifices and major contributions in accomplishing the new democratic revolution and building socialism.

During the new democratic revolution, armed struggle was a major form of various struggles. Under the guidance of the Marxist outlook on women, the masses of Chinese women merged the fight for their liberation with that for the liberation of the proletariat and other masses and courageously took part in the people's revolutionary wars. Group after group of advanced women joined the People's Army as well as other revolutionary armed forces, fought shoulder to shoulder with their male counterparts, and won victories. The masses of women actively supported the people's revolutionary wars and

there were countless moving stories and deeds of all-out support for the frontlines, such as wives sending their husbands and mothers their sons to join the Army and women sewing clothes and making shoes for the People's Army and taking risks to cover and save the injured and sick; they also actively participated in work and production to develop the economy of the bases and support the people's war, and they eagerly took part in land reform and the work to divide lands and movable properties possessed by landlords and rich peasants, and joined the peasant unions, and quite a number of women became leading members in peasant unions and township governments and were involved in administering government work. In short, during the protracted revolutionary wars, the vast numbers of women fought courageously and advanced wave upon wave without sparing their lives and blood. They made enormous contributions that could not be obliterated and won the respect of society.

It is an important aspect in the Marxist outlook on women to set up women's organizations and put their roles into play. On the basis of women's organizations in the liberated areas led by the CPC and with the support, participation, and initiative of the masses of women, patriotic and democratic women's organizations and female celebrities in the Kuomintang-controlled areas, the All-China Women's Association (at that time it was called the All-China Democratic Women's Association; hereafter it is called ACWA for short) was founded in April 1949. It was the fruit of decades of struggles by women in our country. Since then, women of all nationalities and from all circles had their own national organization. Under the guidance of a unified work principle, the ACWA united and mobilized women of all nationalities and all circles across the country to struggle shoulder to shoulder with men and made due contributions in striving for the great victory of the new democratic revolution, the PRC's founding, and socialist transformation and construction. The ACWA has had great development in the past four decades and more and now boasts nearly 100,000 full-time cadres, nearly 1 million women deputies, and a great number of part-time cadres and activists. At history's every crucial turn, the ACWA always convened the Chinese women national congress and, in accordance with the central work and tasks of the party and state and the actual conditions of the masses of women, concentrated the creations, demands, and opinions of the masses of women and formulated the principles and tasks of women of the whole country, which are carried out among the women masses through women's organizations at various levels and of various kinds and encourages women of all nationalities and circles to constantly raise their socialist consciousness, learn the skills well, improve their qualities and, in their own work posts and homes, work hard, take an active part in production, and do well their work so as to create material wealth for the state and the collective and build socialist spiritual civilization. At the same time, women's associations also safeguard women's legitimate rights and interests, help solve their problems, and make them realize that

women's associations really represent the overall and specific interests of women and children. Under the banner of patriotism and socialism, the united front among women has constantly grown and from all aspects turned women's associations into a link and a bridge for the party to associate with women, a pillar of the people's government, and a "parent's home" for the masses of women. However, some people belittle women's organizations, saying that they "find it difficult to find room for development in society's development," and propose "disbanding women's associations at all levels." This theory cannot harm in the least the existence and development of women's associations, but the motives cannot but arouse people's attention.

Several years ago, when bourgeois liberalism proliferated, some people said that on the liberation of Chinese women "there is even no question of beginning and future guarantees." This is absolute nonsense. Let the facts speak. As early as September 1949, when the first political consultative conference was convened, the ACWC became a component of the meeting representing women of all nationalities and circles across the country, and Cai Chang and Deng Yingchao led a delegation to attend the meeting and participated in the great historic event of founding the PRC. On 1 October 1949, with the PRC's founding, the Chinese people became masters and women also won their liberation. At that time, it was unequivocally stated in Article 6 of the "Chinese People's Political Consultative Conference [CPPCC] Joint Program," which acted as a provisional constitution: "The PRC abolishes the feudal system which shackles women. Women have equal rights with men in politics, economics, culture, education, and social life. Freedom of choice in marriage among men and women is practiced." It was at this meeting that Soong Ching-ling was elected vice chairman of the central people's government; He Xiangning, Li Dequan, and Shi Liang ministers of the central people's government; and Cai Chang and Deng Yingchao members of the central people's government and CPPCC National Committee Standing Committee to participate in the state's leadership work. This is unprecedented in China's history. Only half a year after the meeting, the "PRC Marriage Law" was promulgated, which was the first law enacted after the founding of the People's Republic. Let me ask which dynasty and which generation paid such great attention to women's role and rights? The "PRC Constitution," passed at the first National People's Congress [NPC] in 1954, went further to improve the stipulations on protecting women's rights. Article 97 stipulated: "Women of the PRC enjoy equal rights with men in every aspect of political, economic, cultural, social, and family life." "marriage, family, mothers, and children receive the state's protection." The 1982 Constitution, after amended by the NPC, added "the state protects women's rights and interests, practices equal pay for equal work between men and women, and trains and promotes women cadres"; "both wives and husbands have the responsibility to practice family planning"; "parents have the responsibility to raise under-age children, and

grown-up children have the responsibility to support their parents"; and "it is forbidden to undermine freedom of marriage and maltreat the elderly, women, or children." Thus equal rights between the sexes have gotten more perfect and become a more effective Constitutional guarantee.

Over four decades after the PRC's founding and under the party's wise leadership, the class source of oppression against women for thousands of years has been uprooted and the husband's authority has lost its social base. With the constant development of the socialist revolution and construction, and particularly since the Third Plenary Session of the 11th CPC Central Committee, the cause of women's liberation in our country has made achievement by leaps and bounds. It is mainly as follows:

First, great changes have taken place in women's social status. The majority of women in our country live in the countryside. Since the republic's founding over four decades ago, the great masses of women, by taking part in collective production and work and receiving pay according to work, have raised their economic positions. Particularly over the past 10 years and more, with the overall development of rural reform, women have a greater range from which to choose the form of work suitable to them and greater decision-making rights to arrange work, production, and household chores, and they have shouldered heavy responsibility in grain and cotton production. More and more women have gradually liberated themselves from heavy manual labor. Women undertake 80-90 percent of the work in the "shopping basket" project and the production of vegetables, eggs, and meat. One third of specialized households all over the country are centered around women. Forty percent of the more than 90 million people employed in township and town enterprises are women. A batch of factory directors, managers, and engineering technicians have emerged among the great masses of women. It is due to the diligent work and wisdom by the great masses of rural women that the rural economy's overall development has been boosted and the income of peasants raised year by year. In old China where industry, commerce, culture, and education were underdeveloped, the number of women staff members and workers was few and men and women, though doing the same kind of work, were paid differently and women staff members and workers received no protection at work and, in addition, they had to put up with the maltreatment, curses, beatings, and ravages of the bosses. After the founding of New China and with the development of the national economy and the prosperity of culture, education, science, and technology, the area in which women participate has become wider and wider and this has been particularly obvious since the start of reform and opening up. The number of women staff members and workers reached 51.37 million in 1989; the distribution of women staff members and workers is becoming rational; the number of women involved in the tertiary industry has quickly increased; and the number involved in heavy manual labor has decreased year by year.

Women's individual and household incomes have increased and their material and cultural lives have markedly improved.

Second, their quality of culture and science has also markedly improved. In old China, the majority of women were illiterate. During the four decades and more after the PRC's founding, illiteracy has been eliminated among 155.52 million people, 70 percent of whom are women. There were only 12.603 million girls studying at primary schools in 1951, 28 percent of the total; the number increased to 56.766 million in 1989, or 45.9 percent. In ordinary middle schools, there were only 346,100 female students studying in 1950, which was 26.5 percent of the total; the number increased to 18.873 million in 1989, 41.4 percent of the total. During the past 10 years and more, the number of female students at rural middle schools and various professional schools has increased dramatically. In 1980, there were 148,300 women students, 32.7 percent of the total number of students, and in 1989 the number increased dramatically to 1.257 million, representing 44.5 percent of all students. The number of female students studying at ordinary institutes of higher learning increased from 29,000 in the early years of the People's Republic to 702,000 in 1989, representing 33.7 percent of the total number of students. In addition, a batch of female research fellows and women with doctorate degrees have been trained. Before the founding of the People's Republic, female scientists and technicians were rare in our country but in 1988 there were already 33.4 million, representing 32.8 percent of the total number of scientists and technicians with many of them working in highly sophisticated fields. Among the recipients of the state-level invention awards in 1989, 15 percent are women. The only female recipient of a gold award at the joint conference of the World International Property Organization and the Association of Inventors held in Finland in August 1990 was Professor Xu Jinhang from our country who conducts research in environmental protection. According to an October 1988 survey of 1,107 enterprises in 55 medium and large cities, 84 percent of the female staff workers received education at secondary professional schools, vocational schools, or senior and junior middle schools.

Third, Chinese women today also join together with men in deciding state policy and leading the great cause of socialist construction. Female deputies at the first NPC in 1954 accounted for 11.9 percent of the total, the number gradually increased in succeeding conferences, and in the Seventh NPC session in 1988, the number of female deputies was 21.3 percent of the total. There are more women deputies at local people's congresses. In addition, large numbers of women have taken up leading posts in the State Council and government bodies at various levels. They represent the people in the discussion and administration of state affairs and serve the people.

Fourth, the majority of families in urban and rural areas are democratic and harmonious, where freedom of marriage has become the main trend. Baby-sitting facilities and kindergartens have been greatly developed and children are growing up healthily under the joint education of family, school, and society. The popularity of household electrical appliances and the development of the home service industry have made it popular for men and women to jointly shoulder household chores, thus alleviating the family burden for women.

As can be seen from above, the guarantee of equal rights between men and women by our country's Constitution and laws and the protection of marriage, family, mothers, and children have all become the main trend in practical life and women's social status has been greatly raised. Of course, as our country is still in the primary stage of socialism, many women's problems still exist in both cities and the countryside, in all trades and professions, and even in families. Take the employment issue of women as an example. Although there is a high employment rate, the level at which they are employed is low. The majority of those being laid off in the practice of contract system and optimum organization of labor are women. The majority of surplus rural laborers are female. Due to heavy family chores, working women have a lot of practical difficulties. On the question of participation in government and political affairs, due to the practice of an election system whereby candidates exceed the number of seats, those who fail are usually women. In the fields of culture and education, 46 percent of women aged between 15 to 50 are illiterate; among women technicians, few have high titles. The feudal tradition and practice of valuing men and neglecting women and the feudal arranged marriage have made a comeback, the decadent bourgeois ideas from outside the country which regards women as commodities has taken the opportunity to corrode people, and a handful of women indulge in the enjoyment of money. Their numbers are small but their influences are profound. Some of these questions are left over from the past, some are confined by the economic and cultural conditions at the existing stage, and others are the result of weak political and ideological education and backward culture and education. Although they are a secondary aspect, they need our serious attention and must be seriously resolved.

Our country is politically and socially stable, the economy is steadily developing, and the people enjoy their work and life. People all over the country are united around the party Central Committee with Comrade Jiang Zemin as the core and in their individual posts contributed to the realization of the Eighth Five-Year Plan and the second-step strategic objective. Under the CPC's leadership and the guidance of the basic Marxist theory and outlook on women, we women must, as always, push the cause of women's liberation onto a new stage in the course of our dedication. For this, we should continue to struggle in the following three aspects:

First, resolutely carry out the party's basic line at the present stage. This is where the interests of the whole people, including women, lie and is aimed at creating the fundamental conditions for further emancipating women and establishing equal rights between the sexes. We must concentrate on the central task of economic construction and work wholeheartedly to perfect the socialist system and develop social productive forces. The great masses of women should continue to put their individual advantages to play, follow the principle of hard work and plain living, conscientiously make contributions in their posts and families, and give play to their unique role.

Second, study with effort Marxism-Leninism-Mao Zedong Thought and work hard to foster the Marxist outlook on women for the whole party and society. On their part, women must first learn to understand and grasp well this point of view and at the same time publicize this to the families and society to make more people hold this view. Leaders at various levels should take a correct attitude toward women and, in particular, pay attention to fostering large numbers of women cadres who have both ability and political integrity to participate in the management of the state and society; male and female cadres who have the same ability should be assigned the same kind of work and given the same opportunity in terms of training and promotion; and practice equality between men and women in all fields. To this end, we must make a big effort in our construction of socialist civilization to eliminate the traditional bias of valuing men and neglecting women and resist the erosion of Western bourgeois values, outlook on women, and its decadent lifestyle to create a favorable social atmosphere of civilization and progress. To raise the quality of women, efforts must be made to develop social facilities that are conducive to the further liberation of women, such as baby-sitting facilities, kindergartens, sanatoriums, and homes for the elderly; do practical things; and solve women's problems. Infringement of the legitimate rights of women and children must be severely dealt with according to the law; measures must be taken to eliminate the ugly phenomenon that were extinct during the early years of the founding of the People's Republic but have resurfaced.

Third, emancipation of women and equal rights between the sexes concern the immediate interests of women, who should make efforts for them on their part. The problem left over from history is that our women's overall quality is rather low, but only when laborers have a firm conviction in socialism, are educated, and have professional knowledge can they become an active factor in developing productive forces. To meet the needs of socialist modernization, reform, and opening up, the great numbers of women should make great efforts to improve their political quality, education, knowledge on science and technology, and moral quality and they should have a sense of urgency, responsibility, and crisis. In short, we should start from our individual situations and each one of us take it as an unshakable duty to

improve her own quality; help people around her improve their quality; and to strive to make more women become new people with lofty ideals, moral integrity, education, a sense of discipline, self-respect, self-confidence, self-reliance, and self-improvement.

On the eve of the 82nd anniversary of the 3 March International Women's Day, as a veteran worker in women affairs, I sincerely wish male and female compatriots to run neck and neck and make new contributions on the broad path of building socialism with Chinese characteristics.

QIUSHI on Popularizing Compulsory Education

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1 Mar 92 pp 35-39*

[Article by Xiong Fu (3574 1788); "Gain a Better Understanding of Compulsory Education Popularization"]

[Text] In Autumn 1991, I participated in the nation's third general inspection of compulsory education organized by the National People's Congress. The inspection tour lasted two months. I visited over 40 counties and cities in three provinces and regions. Judging from what I heard and saw, I feel that the five years and more since the promulgation of the Compulsory Education Law has indeed been the best period of development of China's elementary education since the founding of the nation. The results are remarkable, but there are also many problems that should not be neglected. For instance, the strategic role of education has not been truly fulfilled in quite a number of localities. We have not made any breakthrough progress in solving the problems that have plagued China's elementary education, such as the guiding principle for running a school, funds, and teachers. As a result, there is still an obvious gap between the overall development of elementary education and the demand of socialist modernization. The existence of the gap and the solution to this problem are basically related to the issue of understanding. Therefore, raising the understanding of the entire society, particularly the leading comrades of the party and government at all levels, of the importance of the educational undertaking as a whole, including the promotion of compulsory education, is not only an essential prerequisite for developing education but also a fundamental program affecting national development and the life or death of the nation. In the following paragraphs I want to discuss from what plane we should approach the issue of understanding compulsory education popularization.

I. We Must Have the Notion of Strategy

The strategic role of compulsory education is first determined by the basic characteristics of compulsory education.

The first characteristic of compulsory education is that it involves all people. Unlike other levels of education, which have various restrictions on citizens, compulsory education is the education for all citizens. It is the

education that every citizen, once he or she reaches a certain age, must receive. Because it touches upon such a large variety of issues and has such a large number of targets, it is beyond comparison with other undertakings of the country. The second characteristic is its basic character. Article 3 of the Compulsory Education Law stipulates that the purpose of compulsory education is to improve the quality of the whole nation and to provide the foundation for the training of a construction work force with "four haves [lofty ideals, moral integrity, education, and a sense of discipline]." Citizens who receive this education can build the foundation for their future development. From the state's viewpoint, the provision of such education to citizens can lay an initial solid foundation for improving the quality of the whole nation and the quality of socialist workers and builders. We can only produce the skilled personnel needed for socialist modernization from this foundation. The third characteristic is that it concerns the future. Compulsory education is education that geared toward the nation's future development. The children starting school this year will not finish their training until the beginning of next century. Whether they will become laborers, builders, or successors, they belong to the future. The fate of the Chinese nation and the future of socialist China depend on them. That is why compulsory education is extremely important to the fate of our country and people.

The basic question of education is what kind of people we want to train. Even though different social systems have different demands and standards, the essence of education remains the same, which is to nurture successors. The entire education history of mankind has proved this point. Feudal education aimed at producing defenders of the feudal system. It instilled feudal moral principles, patriarchal concepts, and fatalism into the working people so that they stayed subordinate to the reign of the feudal class. The basic objective of capitalist education is to train successors to the capitalist rule and to train servants useful to the bourgeoisie. It stuffs the minds of the working masses with such decadent ideas as extreme individualism and extreme selfishness, including the bourgeois concepts of "liberty," "equality," and "human rights." The purpose is to make the working people obey bourgeois rule, make profits for the bourgeoisie and at the same time not disturb the peace and tranquility of the bourgeoisie. The essence of our socialist education is to train socialist builders and successors. They are socialist-minded people of a new type with lofty ideals, moral integrity, education, and a sense of discipline. The training of new people begins in childhood and youth, and has to be implemented through education. This is precisely the strategic role of compulsory education.

Our country is now facing a serious challenge from the world's new technological revolution. Ours is a developing country. When it comes to modern technology, particularly high technology, our country, compared with developed nations, still has a long way to go. In

some fields the gap is even larger. To build a socialist China and to defend China as a socialist front, we cannot depend on backward technology. We have to open to the world, learn from foreign countries, and import advanced foreign technology, all the way to importing foreign talent. However, we should not indulge ourselves in naive fantasy either, thinking that we can buy modernization, that we do not need to be self-reliant, that we do not need to train our contingent of scientists and technicians, and that we do not need to establish our own new knowledge groups [zhi shi qun 4249 6221 5028], new technology groups, and new industry groups. That will never do! On the issue of the Coordinating Committee prohibiting high-technology transfer to China, all Western developed capitalist nations are unanimous. Therefore, self-reliance is still our basic stand, and we still need to climb the high peak of science and technology on our own. We Chinese are no more stupid than other people. It is just that our education is not yet well developed and that we still lack people with good education and good quality. This is why we need to work hard in the education field, especially in compulsory education. That is the strategic role of compulsory education.

Our historic mission is to uphold socialism in China and to build socialism with Chinese characteristics. Western hostile forces, in an effort to reunite the world under capitalism, are intensively implementing their strategy of peaceful evolution against socialist nations. In some countries, peaceful evolution has already become a reality. There working class political power has been overturned, communist party organizations have been dissolved or struck down, communist party members are extensively subjected to severe persecution, and the bourgeoisie has in effect staged a comeback. A fortress is often captured from within. Now we understand the meaning of "openness." It means openly opposing and overturning the communist party's working class political power. We know the meaning of "democratization." It means replacing working class political power with bourgeois dictatorship and opening the path for the restoration of capitalism. We understand what is meant by "human interests being higher than class interests." It means replacing the interests of the proletariat and other working strata with those of the bourgeoisie. It means eliminating the liberation struggles waged by the proletariat and other working people, especially the struggle of socialist nations against peaceful evolution. Western newspapers, summarizing their experience in mounting an offensive, say that ideology is most important; as long as one suffers defeat in ideology, everything will collapse. This is precisely what has happened to some countries. Peaceful evolution has truly become a practical threat to China's independence and sovereignty and to our construction, reform, and opening. We need full mental preparation for this long-lasting and complicated struggle. We should be fully prepared mentally for the protracted and complex nature of this struggle. Bourgeois liberalization is an internal force working in coordination with peaceful evolution. This is why the

struggle against peaceful evolution is linked with the struggle against bourgeois liberalization. The key to carrying out this struggle is to improve the quality of the whole nation, especially the quality of the workers and builders. It is most important to train them into socialist successors. The political quality of successors is of utmost importance. They should have the firm stand of defending the socialist system and communist party leadership, the strong consciousness and revolutionary awareness of opposing peaceful evolution, and the high level of consciousness and immunity to resist bourgeois liberalization. Training must begin at an early age or be implemented from childhood. Children and youngsters are the future of the state and nation. The fate of socialism depends on them. Beginning at a young age, they need to be taught patriotism and collectivism, to cultivate the ideas and feelings of loving the party and socialism, and to foster the noble sentiment of communism. This is where the strategic role of compulsory education is remarkable.

II. There Must Be a Notion of Going Ahead of Others

This touches upon the relation between educational development and economic construction. The "Resolution of the CPC Central Committee on Reform of the Educational Structure" states very clearly: "Education must serve socialist construction, and socialist construction must depend on education." When we run an economic undertaking or develop a construction project, we start by transferring and gathering a group of cadres, technicians, and workers. They must receive education beforehand and have a certain level of culture. Many of our cadres work under this ready-made condition, yet at times they forget the fact that education must make the first move. Actually, this is like fighting a war. The transportation of army provisions comes before the troops. When Chairman Mao commanded the three major campaigns, he always paid attention to the issue of transporting army provisions first and took it as a priority in his command schedule. As many as 1 million people were involved in the transportation of army provisions and ammunition during the three major campaigns. How could we fight without army provisions or ammunition? This is the actual meaning of education going ahead of others.

Now that we are modernizing, we depend more and more on the progress of science and technology. For a new science and technology item to be used in the production process and transformed into a practical productive force there must be a precondition. That is, there must be the two kinds of people in production work. One is the professional who can understand and master the knowledge of science and technology, the other is the laborer who can understand and apply technical skills and craftsmanship. Lacking one or the other, science and technology will not be utilized in production work or be transformed into a realistic production force. Where can we find these two kinds of people? They can only be found through education development. I have visited the Maanshan Iron and

Steel Company, which has relatively modern equipment. The company requires not only managerial and technical staff with a very high cultural level but also workers with a high school standard in its workshops.

Placing education ahead of others is the objective demand of social development. If we do not hold this viewpoint, we will violate the objective law. Of course, going ahead of others does not mean disregarding all other fields. The relationship between education and socialist modernization is that the former serves the later. However, offering service and going ahead of others do not contradict each other; they provide the condition for and transform each other. That is to say, the former provides the best service and is the prerequisite for the benign cycle between educational development and economic construction.

In daily practice, going ahead of others means that we should place education in a priority position in government work schedules. Before we discuss, plan, and arrange various fields of endeavor, we must first study and solve educational problems. There may be various degrees of importance and urgency in different fields of work, yet education is the only matter that cannot be postponed. Postponement of education will affect the quality of the entire nation, affect the growth of talent with "four haves," and affect our initiative to master and develop science and technology. We must understand the spirit of the party Central Committee and the profound meaning of Comrade Deng Xiaoping's statement that our greatest fault has been in education. The word education as mentioned by him has a broad connotation. It especially refers to the party's ideological and political work, but undoubtedly it also includes all levels and types of education. Comrade Deng Xiaoping says that education has to be started in childhood. He also says that we have to develop education even if this means we have to cut back in other areas. At present the nation's finance is in difficulty, but the spirit of the party Central Committee is that under all circumstances we have to safeguard education. This is the meaning of going ahead of others.

Of course, educational development is restricted by economic conditions. Some places suggest in their education plans that development should be determined by conditions. Looking at this issue alone, it appears that there is nothing wrong with this notion. The point, however, is that we must have a correct understanding of the relationship between conditions and development. We are Marxists. We know that time, place, and conditions are essential to everything we do and that we must consider reality. However, there are objective and subjective conditions. The two affect each other, restrict each other, and transform each other. Chairman Mao said in "On Protracted War": "Ideas, etc. are subjective, while deeds or actions are the subjective translated into the objective, but both represent the dynamic role, 'man's conscious dynamic role,' and it is a characteristic that distinguishes man from all other beings." [Selected Works of Mao Zedong, 2d edition, Vol 2, p 477] When

the subjective dynamic is put into practice, it becomes a material force. It can change the objective conditions or create more favorable objective conditions. We should consider reality in our education planning and work and abide by the objective conditions. At the same time, we should work hard to reduce or even weaken the conditions detrimental to educational development and work hard to create conditions that are helpful to educational development. This is extremely important if we are to overcome obstacles, implement reform, and change the vicious cycle between education and economic construction. This is what we mean by a conscious dynamic role. In Liaoning Province, Chaoyang Prefecture suggests: "If the conditions are there, we will not miss the chance to implement our work; if conditions are not available, we will create the conditions to implement our program." These words demonstrate the point very well. The people in the prefecture have managed to change the vicious cycle between economy and education into a benevolent one, because they rely on their conscious dynamic role. We should not emphasize the objective conditions so much so that we have our hands tied, lose our right to take the initiative, and delay the development of education.

III. We Must Have the Concept of a Legal System

Compulsory education is the civic education which school children and youngsters must receive in accordance with the provisions of the law and which the state, society, school, and family must guarantee.

Then why, after 37 years of popularizing education, when the popularization of education has had great accomplishments, and after almost all large and middle-sized cities and economically developed regions have implemented universal primary education, did we need to promulgate the basic law on nine-year compulsory education in 1986? What is the difference between compulsory education and universal education?

One outstanding characteristic of compulsory education is that the right of children and youngsters to receive education is transformed, by legal means, into the duty of the state, society, schools, and families. According to the Constitution, every citizen in our country has the basic right to receive education. Compulsory education and universal education are the same in the sense that they both defend the basic right which children and youngsters as citizens are entitled to. The difference between the two lies in the fact that under the system of universal education, whether children and youngsters enjoy or give up their right to receive education (this is mainly the result of whether the parents choose to send their offspring to school) is not the state's business because the decision to enjoy the right is more or less voluntary. Compulsory education is different. Under the compulsory education system, the state ensures that school-age children have the right to receive education. This is implemented in the form of fulfilling an obligation. The state, society, schools, and families are bound, respectively, by this obligation and the obligation has to

be fulfilled unconditionally. For school-age children, receiving education is their right as well as their duty to the state and society. Because they do not have the independent concepts and ability to execute the law, their duties have to be carried out by their parents. In other words, as far as the right to enjoy education is concerned, under the condition of universal education, the person receiving education has the right to decide whether he wants education or not. The right to be educated and the right to choose are the same. Under the condition of compulsory education, a person receiving education does not have the right to decide whether he will accept the offer or not. He can only enjoy, but not give away, the right. The right and obligation of receiving education are the same thing.

Another outstanding characteristic of compulsory education is that the law stipulates coercive measures to safeguard school-age children's right to receive education. Here we need to specially explain one point. In some places, when they promote the Compulsory Education Law they emphasize the coercive measures implied in the law. As a result the masses mistakenly believe that compulsory education means forced education. This is not the proper interpretation. The Compulsory Education Law is just like any other law; it is coercive and restrictive, but its fundamental spirit is not based on coercion but on safeguarding the right of school-age children to receive education. The Compulsory Education Law stipulates a series of coercive measures. For instance, Articles 11, 15, and 16 are mainly aimed at certain illegal activities of violating, disrupting, and depriving of this right, preventing the offenses from happening, or punishing offenders for their deeds. That is to say, the Compulsory Education Law is legally coercive only when the state, society, schools, and families do not fulfill their obligations and hence violate the children's right to receive the required years of education. The nature of the coercive measures is to serve as a safeguard. We must accurately understand the Compulsory Education Law. When we publicize the law among the masses, we must explain clearly that the major spirit and basic goal of our legislation is to ensure that our children are fully protected by the state and that they are allowed to receive full education for the required number of years. Administering education according to the law means the state, society, schools, and families must strictly follow the stipulations of the Compulsory Education Law, unconditionally fulfill their shares of duties, and truly safeguard the right of school-age children to receive the required number of years of compulsory education. If the state, society, schools, and families do not fulfill their obligations but instead violate and undermine the children's right, or deprive the children of the right they deserve, they will bear the legal responsibilities as stipulated by the Compulsory Education Law, and they will be investigated and dealt with according to the law.

IV. We Must Have the Concept of the Overall Situation

As far as I know, in some places some people, and even leading department cadres in some departments, treat the Compulsory Education Law as if it is a "departmental law." They think that this law is of no concern to their department, and that this is the business of the education department. This is not right. The Compulsory Education Law is a national basic law that concerns our children. It is a major matter for which the entire government must bear responsibility; it is not merely a matter concerning only the education department. The education department is a government administrative office, and so are the other departments, it is only that each department is in charge of a different area. Each government department should look at the Compulsory Education Law and find its position and responsibility. For instance, how to ensure the input and growth of education, the expansion and improvement of teaching conditions, the training and construction of teaching staff, and the healthy growth of children and young people; to ensure that a teacher's personal rights are not infringed upon, that teaching discipline, school equipment, and school establishments are not damaged, and that the school continues to be an ideal environment for nurturing people; to mobilize the whole society to show interest in and support the development of compulsory education; to mobilize social forces to support, help, and supervise schools; to establish and improve a social system for moral education; to bring the education of handicapped children into the compulsory education system; etc. Each department has its individual responsibility. Under unified leadership, all departments should make a concerted effort to coordinate with one other and to unconditionally fulfill their obligations.

In fact, the nature of many problems in the education department is related to the overall situation. We can, for instance, look at the issue of assigning school districts. Because some schools are in better condition than others or have a better academic standard, everyone wants to send his child there. This is a common phenomenon. Is the government responsible for this? To me, first, this is the responsibility of the government. Every school-age child has the equal right to receive education. Why can we not guarantee this equal right? In fact, the children who get accepted by the schools that are not in their home districts are mostly children of cadres working in party and government organizations. Some leaders of party and government organs have not taken the lead in implementing the Compulsory Education Law, have not educated their cadres, and most of all, have not taken any measures to stop this erroneous practice. The schools that accept students from other districts have in fact been involved in improper "recruitment." Is this not caused by government negligence?

In 1988 I went to inspect Guiyang City and I discovered that the city had a better way of tackling this problem. Originally they had quite a few key schools in their junior high and elementary school system. They followed the Compulsory Education Law and divided the city into

school districts (school areas) and assigned students accordingly. Although there was a key school that was under provincial government control next to organs of the provincial committee, the committee, in an effort to implement the new system, still decided that the children of cadres working at organs of the provincial committee must go to the schools in their own home districts. The city party committee and government have also taken steps to eliminate key schools and reassign school resources, teachers, and teaching equipment, so that the school district system can be thoroughly implemented.

Take another example concerning the school environment. Some principals complain that the environments surrounding their schools are too noisy. Singing halls and dance halls play their music all day with very loud speakers. Small stall hawkers run their businesses in front of school entrances. This makes it difficult for the schools to carry on normal teaching. These commercial singing halls, dance halls, and small stall hawkers, and also establishments showing videotapes, electronic games rooms, and karaoke lounges, are given permission by industry and commerce departments to operate. Why are they given permission? If they have no permission to operate, why do the departments not control them? Do the comrades in the industry and commerce departments have in their minds any notion of implementing the Compulsory Education Law? Do they not want to create for schools a good environment for nurturing people? The issue of a nurturing environment is not a minor one. To implement the Compulsory Education Law is to safeguard this nurturing environment. Chifeng City has made a rule concerning this problem: Within 200 meters of a school area no singing hall, dance hall, coffee shop, videotape-showing establishment, electronic games room, or any type of hawker is allowed to operate. We cannot at this time make great improvements in the nurturing environment on a grand scale. But creating an ideal nurturing place within 200 meters around the school is the least we can do. The industry and commerce departments, public security, culture, and other relevant departments have the responsibility to make this possible.

No government department can be exempt from the Compulsory Education Law. As a social force or economic organization, all enterprises and other institutions have obligations as well. People working at party and government organs, and even parents, have their own responsibilities. If all of us understand the concept of the overall situation or the concept of the whole, the work of the educational administration department will run more smoothly.

QIUSHI Advocates Mao's Revolutionary Spirit

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[Article by Zhou Suyuan (0719 3307 3293): "Learn From Mao Zedong's Thoroughgoing Proletarian Revolutionary Spirit"]

[Text] Mao Zedong was a great Marxist and a great proletarian revolutionary theorist, and strategist. In the face of powerful enemies and unimaginable difficulties and hardship, the Chinese Communists, as represented by Mao Zedong, never yielded. Nor were they ever taken in by the various deceitful acts of the enemies. The thoroughgoing proletarian revolutionary spirit has motivated us, given us inspiration and energy, and enabled us to overcome with full confidence all difficulties on our way forward and to continuously push forward for reform, openness, and socialist modernization.

I. Recognize the Essence of Reactionaries as Being Outwardly Strong but Inwardly Weak, and Do Not Fear the Enemy's Threats

At the crucial moment of revolutionary struggle, Mao Zedong would always remind the whole party: "We must remain clear-headed; this means not believing in the 'good words' of imperialism and being unafraid of the threats of imperialism." (*Selected Works of Mao Zedong, Second Edition, Vol. 4, p 1133*) This demonstrated the firm principled position of a Marxist.

After scoring victory in the anti-Japanese war, China had two fates and two futures. China's big landlords and big bourgeoisie, represented by Chiang Kai-shek, wanted to rob the fruits of victory from the hands of the people and preserve China as a semicolonial and semi-feudal country under the dictatorship of the big landlords and the big bourgeoisie. But the CPC, representing the interests of the proletariat and the masses, persisted in safeguarding the fruits of the people's struggle and worked hard to establish a people's and new democratic China that would be led by the proletariat. Behind Chiang Kai-shek was U.S. imperialism. U.S. imperialism did not suffer many losses during the two world wars. It had strong economic power and was armed with atomic bombs. It was indescribably overbearing and arrogant. Chiang Kai-shek used his powerful backing to intimidate us. Confronted with such a strong pressure, some people were scared and afraid to initiate any tit-for-tat struggles. Internationally there were people who would also believe that if we decided to launch a tit-for-tat struggle, China would become the battlefield of a world war and there was the danger that Chinese nation could be destroyed. Unafraid and indomitable, the CPC, with Mao Zedong at the core, decided to lead the People's Liberation Army [PLA] in the war of self-defense against Chiang. At that time, an American told Mao Zedong: You should heed the words of the Americans, or else, the Americans will curse you and support Chiang Kai-shek. Mao Zedong replied: "If you Americans, sated with bread and sleep, want to curse people and support Chiang Kai-shek, that is your business and I will not interfere. What we have now is millet plus rifles; what you have is bread plus cannons. If you want to support Chiang Kai-shek, support him, support him as long as you want. But remember one thing. To whom does China belong? China definitely does not belong to Chiang Kai-shek. China belongs to the Chinese people. The day will come when you will find it impossible to support him any

longer." (*Ibid*) This just and stern reply demonstrated the noble spirit of the Chinese people defying brutality and their high level of self-respect and self-confidence. The ensuing development of the situation totally confirmed the judgment of Mao Zedong.

In 1949 when the PLA was crossing the Chang Jiang, it had an armed clash with four British warships, including the Amethyst, in China's inland river, the Chang Jiang. Damaged by our artillery fire, the Amethyst was stranded near Zhenjiang, and the other three ships escaped. Afterward, the British Government proclaimed: "The British warships have the legal right to navigate the Chang Jiang." Conservative Party leader Churchill even called for the dispatch of aircraft carriers to the China sea to launch "military retaliation." To this, in a statement drafted for the PLA General Headquarters Mao Zedong solemnly pointed out: "The Chinese people will defend their territory and sovereignty and absolutely will not permit encroachment by foreign governments." (*Ibid, p 1460*) The statement showed clearly the Chinese people's position of not yielding to any threat and resolutely opposing imperialist aggression and that the era in which foreign aggressors could ride roughshod on the Chinese territory by dint of their powerful vessels and cannons was over. In the face of the Chinese people who were combat ready, British imperialism flinched, not daring to make another move. Not long after, Mao Zedong again sternly declared: "China must be independent. China must be liberated. China's affairs must be decided and taken care of by the Chinese people. China will not allow one bit of interference by any imperialist nation." (*Ibid, p 1465*) Ringing through the world, the declaration demonstrated the Chinese people's great nature of not being bullied.

In 1950, the U.S. imperialists launched a war of aggression against Korea, spread the flame of war to China's front gate, and moved its 7th Fleet to the Taiwan Strait. This was a serious provocation to the Chinese people. Would, and could, New China, established for only one year, dare to confront the United States, the world's most powerful imperialist nation? This was not a trivial question. The situation in our country at that time was as follows: The economic recovery had just begun, the wounds from the long drawn-out war had not yet healed, financial difficulties still remained, land reform had not yet been initiated in the new areas, the people's political power had yet to be consolidated, the weapons and military equipment of the PLA were quite backward, and the building of the navy and air force were at the initial stage. If we decided to participate in the war, could we win? Or would we be "playing with fire" and "asking for trouble," hence causing the economic construction to halt? Obviously, there were plenty of undesirable factors and there was a great risk. Even so, the CPC and the Chinese Government represented by Mao Zedong were soberly aware that, if the U.S. aggressor troops were allowed to occupy all of Korea, and if the powerful army reached the banks of the Yalu River, it would be difficult for China to proceed calmly with its construction, and

the reactionaries inside China and abroad would become more arrogant, which would be detrimental to China and to world peace. Therefore, they resolutely made a policy decision of resisting U.S. aggression, aiding Korea, protecting our homes, and defending our motherland. Also they were mentally prepared that even if we were to suffer a temporary setback and lose, this would only mean that the victory of the liberation war would arrive a few years later. On 8 October 1950, Mao Zedong issued the order to form the Chinese People's Volunteers and wait for the order to go to Korea. Originally the Soviet Union agreed to send their Air Force to support us, but at the last moment they changed their mind. Even though they were without air cover, the Chinese People's Volunteers still crossed the Yalu in high spirits and fought side by side with the Korean people. In less than three years the United States was forced to sign a cease-fire agreement. This victory ruined the fairy tale of U.S. imperialism being invincible. This had greatly strengthened the national self-confidence and pride of the Chinese people. The people who before worshipped and were afraid of the United States learned a lesson and came to understand the truth. The whole world viewed China with respect and China's international reputation was never higher.

The reason why the Chinese Communists represented by Mao Zedong were not afraid to confront and fight against the reactionaries and did not fear heavy pressure was that they had a profound knowledge of the nature of the reactionaries. In the eye of Mao Zedong, the reactionaries were like a man-eating beast. "We must not show the slightest timidity before a wild beast. We must learn from Wu Song and the tiger on the Jingyang Ridge. As Wu Song saw it, the tiger on Jingyang Ridge was a man-eater, whether irritated or not. Either kill the tiger or be eaten by him—one or the other" (*Ibid.*, p 1473). Spreading fantasy about the reactionaries would not make them kind; this would only paralyze people's revolutionary will. In order to survive and succeed, we had no choice but to launch unyielding struggles. This was half of the picture. Another half of the picture was that Mao Zedong could also see through the weak nature of the reactionaries. Although at the time the reactionaries appeared to be strong, they were alienated from the people. They were outwardly strong but inwardly weak. Their strength was not that extraordinary. We should not overestimate them. Instead we should judge them as "not amounting to much," and we should not be afraid to fight against them and to hold high raise the revolutionary banner even in adversity.

Mao Zedong praised Lu Xun as an unprecedented national hero. "Lu Xun had the strongest backbone. He was not one bit subservient or obsequious. This was the most valuable character of the people living in the colony and semicolonies" (*Selected Works of Mao Zedong*, Vol 2, p 698). Mao Zedong said in praise "Wen Yiduo rose to his full height and smote the table, angrily faced the Kuomintang [KMT] pistols and died rather than submit. Zhu Ziqing, though seriously ill, starved to death rather

than accept U.S. 'relief food'" (*Selected Works of Mao Zedong*, Vol 4, p 1493). Mao Zedong had heartfelt admiration for this noble quality and constant character. The admiration was also a natural expression of Mao Zedong's proletarian revolutionary sentiment.

II. Recognize Fundamental Conflict Between Interest of Reactionaries and People, Dismiss Any "Good Words" of Enemies

In Chinese and foreign histories, there were times when the revolutionary forces failed because they succumbed to the pressure of the enemies, or because they were taken in by the enemies. In our party's history, some people also made the two mistakes and inflicted damages to the Chinese revolutionary cause. As a great revolutionary, Mao Zedong, besides having the courage and resourcefulness of a revolutionary, being unafraid of pressure, and daring to fight against any powerful enemies to the end, possessed remarkable wisdom, which enabled him to see through the enemies' conspiracies and frauds, use the superb skill of struggle to defeat these conspiracies and schemes, and thus ensure the success of revolution.

According to Mao Zedong, "the principle of the people's democratic force dictates that, if we can destroy the reactionary forces, we should destroy them and that, if for the time being we cannot destroy them, we should prepare to do so in the future" (*Ibid.*, p 1185). Revolutionary people should never expect that the reactionary forces might become benevolent and merciful or that they might volunteer to get out of the historical stage. To score victory, the revolutionaries had to depend on the masses intimately. "Draw a clear line of demarcation between the reactionaries and the revolutionaries and expose the conspiracies and schemes of the reactionaries in order to alert the revolutionaries internally and draw their attention, boost our morale and dampen the enemy's spirit. This way we can isolate the reactionaries, conquer or replace them" (*Ibid.*, p 1473). During each stage of the revolutionary history, Mao Zedong could make accurate judgment on every movement of the enemy and understand their real intention. He was able to calculate mentally the entire situation and tackle the problems with great ease.

After the victory of the anti-Japanese war, on the one hand, the KMT ruling clique made active preparations to destroy the Communist Party and the people's army under its leadership; yet, on the other hand, it adopted a peace posture by expressing its willingness to talk with the CPC. It suggested "You give me the army and I give you democracy." At that time, the international situation was also quite complicated. The right opportunist trend of thought, advocating "class collaboration," was popular within the international communist movement. Communist Party leaders in some nations, one after another, handed the people's armed forces developed during the antifascist wars over to the bourgeois governments, in exchange for a few seats. The leaders of the Soviet Union also recommended the CPC joining the

Chiang Kai-shek government and dissolving the army. Faced with such a complicated situation, Mao Zedong remained unmoved and stuck to his own opinion. He promptly reminded the people not to forget that as "the political representative of China's big landlords and big bourgeoisie," Chiang Kai-shek "was an extremely cruel and unscrupulous person" and that he "would take every bit of the power and benefits away from the people." Therefore, our policy was to "give a tit-for-tat and fight for every inch of land." (Ibid. pp 1124, 1126) We should never fall into Chiang Kai-shek's trap and believe that we could get democracy by giving up the people's armed forces and the people's political power. He asked the entire party to remember the lesson of Chen Duxiu's surrender in 1927 which had caused the revolution to fail. He emphasized, "Since we are the representatives of the people, we must represent well and not act like Chen Duxiu." "Whoever thinks that they can easily rob or trick the people into giving up the right they have earned will not be able to do it." (Ibid. p 1128) Mao Zedong's words were able to arm the entire party and army in good time and prepare them mentally for the civil war launched by the Chiang Kai-shek clique. In order to show the CPC's sincere wish for peace and to use real action to further expose Chiang Kai-shek's fraudulent peace talk to the whole nation, Mao Zedong, with great proletarian wisdom and courage, personally went to Chongqing to sign the "Double Ten Agreement" with Chiang Kai-shek, thus placing Chiang in a passive position. Later Chiang ripped the agreement and launched the civil war. This showed to the whole nation that he was in the wrong. In the end he could not escape the fate of failure.

When the PLA were ready to fight across the Chang Jiang and liberate the whole country, Chiang Kai-shek played another trick. He pretended to resign from the government and let Li Zongren be acting "president." This was to enable him to hold on to power, divide the nation, rule on the other side of the river, and stage a comeback someday. Singing the same tune, U.S. imperialism also created public opinion for him. To counter the U.S.-Chiang "peace" plot, Mao Zedong personally wrote the 1949 New Year Message for XINHUA NEWS AGENCY and issued the great call "Carry the Revolution Through to the End." He pointed out that we must use revolutionary method to resolutely and thoroughly wipe out all reactionary forces. We definitely should not allow our revolution to stop halfway and let the reactionary forces heal their wounds, then fiercely pounce on us and strangled the revolution. He quoted the ancient Greek fable "The Peasant and the Snake" and warned the people not to behave like the peasant in the fable and take pity on evil people who were like the snake. In the face of the Chinese Communists represented by Mao Zedong, the Chiang Kai-shek group had no more tricks and all their swindlers went bankrupt in the end.

III. Combine the Strategy of Despising the Enemy With the Tactic of Taking Full Account of the Enemy

Mao Zedong said, "All communists in the world are cleverer than the bourgeoisie; they know the law governing the existence and development of things,

know dialectics and can see farther." (Ibid. p 1468) This is indeed fact. Take for instance the issue of tackling the enemies. By applying Marxist material dialectics Mao Zedong saw clearly the dual nature of imperialism and all reactionary forces. This is to say, in essence and from a long term point of view, they are weak and will eventually be overthrown because they are cut off from the masses. They are paper tigers. Therefore, Mao Zedong maintained Strategically, we should despise all reactionary forces, dare to uphold revolutionary principle, engage ourselves in life-and-death struggle against them, and are fully confident that we will score the final victory. If strategically we do not despise the enemy and dare not struggle and win, then we will make the "leftist" mistakes. At the same time there is the other side of imperialism and all reactionary forces, the "real tiger" side. This means that they still the side of being able to kill people and being temporarily stronger than the revolutionary force. Therefore, Mao Zedong recommended that in military tactics, in policy, in every aspect, and in every specific issue of struggle, we must pay attention to the enemy, adopt a prudent attitude, pay attention to the art of struggle and, depending on the time, place, and condition, adopt an appropriate form of struggle so we can gradually isolate and then eliminate the enemy. If tactically we do not pay attention to the enemy, are hasty in taking risks, and work carelessly, then we will make the "leftist" mistake.

To despise the enemy strategically and take full account of him tactically, we should make accurate judgments on our situation and on the enemy's situations so that we may be assured of success. When summarizing the strategy and policy of the China's revolutionary war, Mao Zedong pointed out: "We do not fight a war unless we are prepared. We do not fight a war unless we are sure of winning. We have to be prepared in every war and try to win after comparing the enemy's condition with ours" (Ibid. p 147) If the overall quantity of our revolutionary force is in an inferior position, it is more necessary that "we gather a military force that is absolutely superior (two times, three times, four times, sometimes even five or six times larger than the enemy force) to surround the enemy on all sides" to that "in every aspect and every specific battle we are in an absolutely superior position" (Ibid) That is to say, "our strategy is 'one against ten' and our tactic was 'ten against one'" (Selected Works of Mao Zedong, Vol 1, p 225) to ensure that "we will not fight unless we are sure of victory" (Selected Works of Mao Zedong, Vol 2, p 749) Regarding those who advocated the "leftist" adventurous methods of "launching attacks on all fronts," "striking with both fists," "engaging the enemy outside the gates," and "not having the pots and pans smashed" given the condition that we were weak and the enemies were powerful, on many occasions Mao Zedong made severe criticism and sharp, satirical remarks. He pointed out, "This is the theory and practice of the unsophisticated or layman. There is nothing Marxist about these methods; they are anti-Marxist." (Selected Works of Mao Zedong, Vol 1, p 206)

To despise the enemy strategically and to take full account of him tactically, it is necessary for us to have a set of policies and tactics conforming to the reality. Mao Zedong considered policies and tactics as the life of the party. He called on all party comrades to give their full attention and should never be careless. At the end of 1947, the revolutionary struggle of the Chinese people reached a turning point. The Chinese PLA had driven back the offensive of Chiang Kai-shek's several million reactionary troops and were beginning to launch offensives. It was a turning point from development to elimination in Chiang Kai-shek's 20-odd-year counter-revolutionary rule and in the 100-odd-year imperialist rule of China. At that time, Mao Zedong devoted most of his energy to study and formulate party policies such as the policies of war, of party rectification, of land reform, of industry and commerce, of putting down counterrevolutionaries and others. He pointed out: "All party comrades should know that at present the enemies are completely isolated. But the isolation of the enemies does not mean victory for us. If we make mistakes in policies, we will not win" (*Selected Works of Mao Zedong*, vol 4, p 1286). Once correct policies and tactics

were mastered by the cadres and masses, they became an important weapon for conquering the enemies.

Our party has indeed followed Mao Zedong's principle of despising the enemy strategically and taking full account of him tactically and integrating the two. We have been opposed to both right and "left" opportunism. On thus can the Chinese revolution continuously advance to victory.

Today there have been great changes in the international situation. The international communist movement has suffered great setbacks, and the Chinese Communists are faced with grim tests. Under these circumstances, it becomes more important to review the party's history, to seriously study and carry forward Mao Zedong's thoroughgoing proletarian revolutionary spirit of being unafraid of pressure and of being undecreavable. As long as all communists acquire this spirit and, like Mao Zedong, fully believe in and closely rely on the people, and correctly guide the people, we can overcome all difficulties and obstacles and score new victories in building socialism with Chinese characteristics.

NATIONAL AFFAIRS, POLICY

Deputy Statistics Chief Views Economic Situation

02C703484 Beijing ZHONGGUO TONGJI XINXI BAO in Chinese 25 May 92 p 1

[Article by State Statistical Bureau Deputy Director Zheng Jiaheng (6774 1367 0077), "Several Thoughts About the Current Economic Situation"]

[Text]

- During the first four months of the year, the national economy clearly entered a period of fairly rapid growth, and it is currently still within the limits that objective conditions permit.

The main problems in economic life that bear watching are that the supply of credit has shot up fairly rapidly, the investment pattern is not completely rational, and the rate of increase in urban prices is fairly high.

Macroeconomic regulation and control must be judiciously handled, actively guided, and carried out with circumspection so that it not only enables fairly rapid development of the economy, but also gives impetus to optimization of the economic structure and improvement of economic reforms, both accelerating reform and opening to the outside world and avoiding setting off marked price inflation.

During the past year, the entry of the national economy into a stage of fairly rapid growth has accompanied the new upsurge in reform and opening to the outside world. The overall situation is substantially within normal limits, and the development momentum is positive. Preliminary calculations show a gross domestic output value of 434 billion yuan during the first quarter, an 11.6 percent increase over the same period in 1991 in terms of comparable prices. This includes an 8 percent growth in primary industries, a 16.6 percent growth of secondary industries, and a 5.9 percent growth of tertiary industries. Growth of gross industrial output value for the period January through April averaged 18.3 percent; nevertheless, some symptoms of possible developments that bear watching occurred in the advance. Timely regulation and control must be exercised in order to ensure consistent and coordinated development of the national economy.

Basic State of the National Economy During the Past Four Months

From March through April 1991, the national economy exhibited a fairly rapid growth momentum; however, total social demand remained substantially in balance; market supply was plentiful; national foreign currency reserves continued to increase; amounts of major goods in inventory were fairly ample; and consumerism

remained within bounds. Calculations based on a macroeconomics model show the present speed of economic development to be within the limits that objective conditions permit.

Main Features of National Economic Operation From January Through April

Industrial production exhibited a fairly high growth momentum. National gross industrial output value for the township level and above from January through April totaled 841.3 billion yuan, up 18.3 percent from the same period in 1991. Output of large- and medium-sized enterprises showed a marked turn for the better, gross output value increasing 19 percent over the same period in 1991. The industrial products sales rate for April was 94.1 percent in a 3.2 percentage increase over the same period in 1991. Heavy industrial production and sales were higher than light industrial production and sales, and production in industries under ownership of the whole people was slower than in industries not under ownership of the whole people; however, the sales rate was higher in industries under ownership of the whole people.

"Speedy" returns were made, but the overall level was still not high. Between January and April, state-owned industrial enterprises covered by the budget produced profits and taxes totaling 46.4 billion yuan, 16.5 percent more than during the same period in 1991. (This included a profit of 5.97 billion yuan, up 16.4 percent). Nevertheless, 36.3 percent of enterprises were still losing money as of the end of April, their cumulative losses totaling 12 billion yuan for an 8 percent increase. The profit and tax rate on sales was only 12.19 percent, 0.28 percentage points lower than for the same period in 1991. The amount of money tied up in finished goods continued to climb, reaching 133.2 billion yuan at the end of April, 20.2 billion more than at the beginning of the year. This shows that business firms have yet to work their way out of a low return situation.

Summer grain production showed an upturn. Spurred by the relative economic gains to be made, the broad masses of peasants readjusted their farming patterns. On the basis of a random sampling of peasant farming intentions, it is predicted that the area sown to grain for the year may be approximately 20 million mu less than in 1991, but the area sown to premium quality grain may be greater. This will help improve the farming pattern, reduce difficulty selling grain, and increase peasants' income. The area sown to cash crops and other far crops will increase 27 million mu, the cotton growing area possibly exceeding 100 million mu, versus the more than 8 million mu expansion of 1991.

Investment in fixed assets increased enormously, and the technological transformation of existing enterprises accelerated. Between January and April, investment in fixed assets of units under ownership of the whole people totaled 56.6 billion yuan in a 38.6 percent increase over the same period in 1991. This included a 33.3 billion

yuan investment in capital construction, up 32.2 percent; a 13.4 billion yuan investment in replacement and transformation, up 43.8 percent; a 5.2 billion investment in commercial buildings, up 78.3 percent; and other investment totaling 4.7 billion yuan, up 36.9 percent. The rapid growth in investment was powered mostly by investment outside budget.

Domestic market supply is ample, commodity sales growth is smooth and steady. According to a Ministry of Commerce ranking of supply and demand in 682 commodity markets during the first half of 1992, supply was either greater than demand or supply and demand were roughly in balance in 89.1 percent of the markets for a 1.3 percentage point increase over the last half of 1991. Fewer areas were affected by commodity shortages, showing that sources of supply within the country are fairly ample and able to satisfy the public's basic needs. Commodity retail sales to the public between January and April totaled 351.3 billion yuan, up 14.6 percent from the same period in 1991. New changes occurred in society's purchasing power. One was an increase in the public's purchases of stocks, treasury bonds, and commercial bonds, which caused a shift in purchasing power. The other was an increase in the public's expenditures for noncommodity consumption, which resulted from home improvements. The increased tendency to stint on commodity purchases also fractionated some of the purchasing power. Noteworthy was the overly rapid increase in the purchasing power of social groups, which widened the gap with public consumption.

Sustained growth of both exports and imports was fairly rapid. China's use of foreign capital markedly increased, and the country's foreign exchange balance rose. Customs statistics showed a 14.9 percent increase between January and April in total exports over the same period in 1991. As of the end of April, the country's foreign exchange balance again increased substantially over the beginning of the year.

During 1992, China made a fine showing in the use of foreign capital. Between January and April more than 6,300 agreements for the use of foreign capital were newly approved nationwide. These agreements called for \$9.6 billion in foreign capital in a manifold increase over the same period in 1991. Actual foreign capital used totaled \$4.4 billion in a 76 percent increase.

The fiscal budget was handled very well. Between January and April, fiscal revenues increased 26 percent over the same period in 1991. If certain factors are deducted, calculations made in comparable terms, fiscal revenues increased 16.2 percent. Domestic fiscal expenditures increased 12 percent.

Residents' income continued to increase. Between January and April, bank payments for wages and other payments to individuals totaled 183.5 billion in a 17.7 percent increase over the same period in 1991. Per capita income of city and town residents available for living

rather than work-related expenses increased approximately 5 percent over the same period in 1991. Rural residents' income from the sale of agricultural by-products and from township and town enterprises increased substantially. First quarter per capita income increased 14.9 percent over the same period in 1991 after deducting for price factors. Residents' savings maintained fairly high growth despite the craze to buy stocks and bonds. As of the end of April, the city and country savings account balance broke the 1 trillion yuan mark to reach 1,008,200,000,000 yuan in a 97.5 billion increase over the beginning of the year.

Important Problems That Bear Watching in Current Economic Life

Overall, thanks to the encouragement provided by the spirit of the important speech that Comrade Xiaoping made during his tour of the south, reform and opening to the outside world are doing well at the present time. The economy developing rapidly, however, some problems that will bear watching have also arisen in the course of moving ahead. Most important are the following:

1. The investment pattern is not entirely rational, new development projects have increased too rapidly, the amount of construction underway is somewhat large, a trend toward lessening investment is more apparent, and construction cycles have been lengthened, all of which have a deleterious effect on the improvement of returns from investment.

2. The supply of credit has increased too abruptly, and the withdrawal of currency from circulation has been less than desirable. During 1992, bank credit has increased somewhat too rapidly, the supply of credit at the end of April having increased 62.1 billion yuan over the beginning of the year. The credit supply now stands at 98.6 percent of the 63 billion yuan in the credit control plan for the first half of the year. If credit cooperative credit is included, the amount of credit of all kinds is even greater. Unless this situation is brought under control, it will pose very great difficulties for the control of credit for the whole year.

Accompanying the large increase in the supply of credit has been a less than desirable bank withdrawal of currency from circulation since April. In April, the second all-time high occurred in the net amount of money in circulation. Following the lunar New Year, the time period for putting money into circulation was advanced two months over normal years. This will create new pressures on plans to control the total amount of money put into circulation for the whole year.

3. The degree of increase in overall price levels in large- and medium-sized cities is fairly high. Because of the steady appearance of reform policies of a structural nature that affect prices of grain and services, plus the cumulative effect of factors such as the tremendous rise in price of vegetables resulting from the weather, the rate of increase in prices in large- and medium-sized cities was fairly high in 1992. Some new changes are also

taking place in market prices at the present time, mostly in country fair trade prices, prices of the means of production not included in plan, foreign exchange adjustment prices, and such sensitive price indices, which have gradually changed from stability with slight decline to stability with slight rise. At the same time, as a result of the fairly rapid increase of investment in fixed assets, as well as the impetus toward rise in costs, the ex-factory prices of industrial goods, and the purchase prices of energy and raw and processed materials also exhibited a trend toward substantial rise. This shows that various potential factors for spurring price rises have begun to appear along with the enlivened economy.

The current economic development situation shows a pattern of fairly rapid growth of the national economy. All areas of the economy are going all out to move ahead rapidly. Enthusiasm for fulfilling the Eighth Five-Year Plan ahead of schedule is very high. We agree completely with the Central Committee proposed policy of the need to protect, channel, and turn to best advantage the enthusiasm of all quarters, completely putting into effect the spirit of Comrade Xi Jinping's important speech. In this connection, we recommend the following. Macroeconomic regulation and control must be judiciously handled, actively guided, and carried out with circumspection so that it not only enables fairly rapid development of the economy, but also gives impetus to optimization of the economic structure and improvement of economic returns, both hastening the pace of reform and opening to the outside world, and avoiding setting off marked price inflation. Future economic work must be founded on vigorous attention to agricultural production, energetic efforts also devoted to the development of tertiary industry. All quarters must be actively guided to make sure that industrial production is organized on the basis of market demand, to accelerate structural readjustments, and to reduce blindness in action. The emphasis must now be placed on three segments as follows:

The first is close attention to changes in the financial situation, strictly controlling total credit supply and the amount of currency put into circulation in accordance with plan. Proper control of circulating funds and expenditures of a consumption nature is particularly necessary.

Second is strict control over the direction of investment. Investment in capital construction must be tilted in the direction of basic industries, encouragement given to using revenues from roads to build more roads, and revenues from power plants to build more power plants. Investment in updating and technological transformation should be used more to conserve energy, reduce consumption, and improved quality, and to increase styles, colors, patterns, and designs. Investment examination and approval authority should be improved as national industrial policies and the availability of funds permit to make the allocation of resources more rational.

Third is better monitoring of market prices. "Market basket" projects must be continued, and efforts made to increase sources of supply in order to help control the rate of increase in prices of "market baskets" in urban areas. More must be done in the way of overall planning of price reforms to prevent large fluctuation in prices.

At the same time, opportunities must be seized for making vigorous efforts to move ahead with completely coordinated reform of government functions, the enterprise mechanism, the market system, and social security, and to reduce various frictions resulting from the co-existence of new and old systems in order to create the conditions needed for a benign cycle in the national economy.

Research Unit Defines 'Comfortable Living' Standards

Urban Standards

92CF05164 Beijing ZHONGGUO TONGJI XINXI BAO in Chinese 11 May 92 p 2

[Article by the Comfortable Living Standards Unit, State Bureau of Statistics. "What Kind of Life Qualifies as Comfortable Living?"]

[Text] I. Quantified Standards for Comfortable Urban Living

1. Per capita GNP should be 5000 yuan (at 1990 prices, same assumption throughout article).

Per capita GNP for urban residents in 1990 was 3580 yuan. Basing our calculations on the average annual population and GNP growth rates assumed in the Ten-Year Program, a goal of 5000 yuan per capita GNP by the year 2000 should be set for urban residents.

2. Tertiary industrial output should account for 40 percent of total GNP.

According to World Bank statistics, tertiary industrial output accounted for 32 percent of total GNP in low income countries and 50 percent in middle income countries. The proportion of urban GNP accounted for by tertiary industries in China is now only at the level of low income countries. In view of overall conditions in China, and taking into consideration experience with development in the 1980's as well as the Ten-Year Program for the 1990's, when we base our calculations on current accounting categories and methods, we find that the comfortable living standard in China should require that tertiary industrial output account for 40 percent of total GNP. When one factors in differences in accounting categories and errors in calculation, this standard is on a par with that for the world's middle to lower income countries.

3. Per capita living space should be eight to ten square meters, a household of three persons should have two

bedrooms, and housing equipped with running water, a kitchen, and a bathroom should be 60 percent.

Specialists in China and abroad estimate that a minimum of 2.9 square meters of living space per capita is required if people are to have a minimum acceptable amount of air, sunlight, and sleeping space. A minimum of 2.1 additional square meters of space per capita is required for people to store an appropriate amount of food, clothing, and other articles in order to carry out simple survival-related and consumption related to labor and services such as eating and clothing oneself. In view of gender, age, and health differences, the basic physical living space required per capita is generally 6.8 square meters. In addition, once people have satisfied the most basic necessities, they still have to study, work, play, and engage in social activities, so per capita living space still needs to be increased. At the end of 1990, per capita living space for urban residents in China stood at 7.1 square meters, and the percentage of total housing equipped with running water, a kitchen, and a bathroom stood at 46 percent. Taking into account China's urban construction capacity, the Ten-Year Program, and housing demand for a society which has reached the comfortable living standard, China's comfortable housing standard ought to be set at eight to ten square meters of living space per capita, two bedrooms for a three-person family, and an percentage of total housing equipped with running water, a kitchen, and a bathroom of 60 percent. This standard is on a par with the average of 1.5 persons per room found in lower-middle countries.

4. Per capita income should be 2380 yuan

Per capita income for urban residents in China in 1990 was 1781 yuan. Basing calculations on the growth rates for real income set by China's Ten-Year Program, and on actual conditions in the 1980's, the per capita income of urban residents by the year 2000 should be 2380 yuan. This is the comfortable living standard for urban residents with regard to income. (This standard does not include increased income which results from the switch from covert to overt housing, price, and health care subsidies; if it did include this income, the standard would be about 2800 to 3000 yuan.)

5. The Unger coefficient should be 44 to 46 percent.

The Unger coefficient uses the percentage of total expenditures accounted for by food expenditures to determine a nation's consumption level. The United Nations Food and Agriculture Organization divides income levels into four broad categories on the basis of the Unger coefficient: poor, fed and clothed, comfortable, and rich. The basic numbers are as follows: Unger coefficient above 0.6, absolute poverty; 0.5 to 0.6, fed and clothed; 0.4 to 0.49, comfortable; 0.3 to 0.39, rich; below 0.2, very rich. The Unger coefficient for China's urban residents is 54 percent. It is estimated that in the next ten years, the commercialization of housing and the reform of health care and education will bring the Unger coefficient down

by four to six percentage points, while rising food prices will raise the coefficient by two percentage points. Therefore, by the year 2000, the Unger coefficient for urban residents will be between 44 and 46 percent, which falls within the comfortable range.

6. People should take in 2600 kilocalories, 80 grams of protein, and 75 grams of fat.

Specialists at the World Health Organization and the UN Food and Agriculture Organization believe that 2385 kilocalories, 75 grams of protein, and 65 grams of fat are the dietary standards necessary for "a common citizen of this earth" to maintain normal activities. Taking into account generally encountered physical demands upon a citizen in a comfortable society, as well as the food consumption characteristics of China's urban residents and the availability of grain and livestock, the comfort standards for China's urban residents should be set about 5 to 10 percent higher than these figures, i.e.—2600 kilocalories, 80 grams of protein, and 75 grams of fat. This calorie intake is on a par with the 2500-2800 figure for lower-middle income countries, and the intake standards for protein and fat are on a par with those for middle income countries.

7. Average life expectancy should be 70 years.

World Bank statistics indicate that life expectancy for those born in 1988 was 66 years in middle income countries, 76 years in high income countries. Average life expectancy in China reached 70 years by the late 1980's. In view of the fact that average life expectancy is relatively high in China, the standard life expectancy for a comfortable life should be set at 70 years.

8. There should be universal education through grade nine, and 90 percent of children should be enrolled in middle school.

According to statistics published in the World Bank's 1990 "World Development Report," the middle school enrollment rate in the latter half of the 1980s was 37 percent in low income countries, 54 percent in middle income countries, and 93 percent in high income countries. The enrollment rate among 13-year-old urban children in China in 1990 was 91.7 percent. The comfortable living standard for the middle school enrollment rate ought to be set at 90 percent, which is higher than that for upper middle income countries and nearly equal to that in high income countries.

9. There should be one daily copy of a newspaper for every three literate persons.

The internationally recommended standard for modernization calls for one copy of a newspaper per day for every three literate persons. In view of current and potential future newspaper circulation in China, the comfortable living standard for urban residents in China should be one copy of a newspaper per day for every three literate persons, which is on a par with that for middle income countries.

10. The work week should be 5 to 5½ days, we should establish a universal two-week vacation system, and there should be 6300 to 6700 hours of rest time per year.

The UN Development Institute has set the following leisure time standards for countries at various stages of development: 1600 to 6400 hours per year in countries which are poor or just manage to resolve the problem of food, clothing, and shelter; 6400 to 6816 hours per year in countries which enjoy a comfortable standard of living; and 6816 hours or more in rich countries. In view of these standards as well as labor and employment conditions in China, the comfortable living standard should reduce the work week of urban laborers from 6 days to 5½ or 5, there should be a universal two-week vacation system, and there should be 6300 to 6700 hours of leisure time per year. These standards are on a par with those for middle income countries.

11. There should be an average of 9 square meters of forest and green land per capita.

There is currently an average of 6.6 square meters of forest and green land per urban resident in China. In view of average growth rates in recent years and potential urban development in the future, the average green land per urban resident in China will increase by 2.4 square meters over the next ten years, thus reaching 9 square meters per capita and approaching the average amount of living space per capita. This should be the standard for a comfortable life.

12. The Gini coefficient should be between 0.26 and 0.30.

The Gini coefficient is an important measure of the degree of equality in income distribution. Countries with market economies generally evaluate the Gini coefficient as follows: 0.2 indicates a very high degree of equality, 0.2-0.3 indicates a relatively high degree of equality, 0.3-0.4 indicates relatively rational discrepancies, 0.4 or above indicates excessive discrepancies. A Gini coefficient of 0.23 has been calculated for urban household income distribution in 1990. In view of the policies of China's distribution system and actual practice in the 1980s, and making reference to international standards, we believe the comfortable living standard for China's urban residents should call for a Gini coefficient of 0.26

- 0.30. This is lower than the general standards advocated for countries with market economies, but it embodies the characteristics of China's system of public ownership of the means of production, and it is in line with the degree of income disparity considered tolerable by Chinese citizens. This standard can both improve efficiency and assure achievement of the goal of enabling everyone to become prosperous at the same time.

B. Overall Evaluation of a Comfortable Standard of Living for Urban Residents

In order to accurately describe how China's overall standard for the comfortable life compares with those from around the world, and upon such basis to carry out a scientific evaluation of China's standard, we have used comprehensive indices to make a quantitative comparison between China's urban and national comfortable living standards with actual living standards in middle income lower-middle income countries around the world.

A comprehensive evaluation reveals that when an index rating of 100 is assigned to the average living standard of middle income countries, China's urban comfortable living standard stands at 103.4, slightly higher than living standards in middle income countries, while China's national comfortable living standard is on a par with living standards in lower-middle income countries. This standard reflects the early stages of comfortable living which China shall achieve by the year 2000, and it is also in line with our efforts to reach a medium level of development by the middle of the next century.

Using the comfortable living standard to evaluate the current standard of living of China's urban residents (see the table below), a comprehensive evaluation reveals an overall score of 65.16 for urban living standards in 1990, which means that in our cities we are already two-thirds of the way to achieving comfortable living, and it is completely possible for us to achieve it, with ten more years of effort, by the year 2000. However, because the base numbers are higher in the 1990's, each percentage point increase will be harder to achieve. In addition, population pressure and scarcity of resources means that we cannot be blindly optimistic about achieving the comfortable life.

Evaluation of China's Current Urban Living Standards

Indicator	unit	total value	current value	standard for the comfortable life	weight to overall assessment	Index
GNP per capita	yen	1790	3580	5000	15	58.31
added value produced by tertiary industry	\$	20.6	30	40	9	48.45
living space per capita	square meters	3.9	7.1	9	6	61.54
integrated housing ratio	%	25	46	60	5	60.00
real income per capita	yen	974	1783	2300	10	57.54
Gini coefficient	%	62	54	65	7	47.06

Evaluation of China's Current Urban Living Standards (Continued)

Indicator	unit	initial value	current value	standard for the comfortable life	weight in overall assessment	Index
daily calorie intake per capita	kcal	2200	2344	2400	4	88.00
daily protein intake per capita	gram	60	67	80	4	85.00
daily fat intake per capita	gram	60	74	75	4	88.89
average life expectancy	years	67.5	70	70	11	100.00
middle school enrollment rate	%	70	91.7	90	5	100.00
number of work days per week	days	6	6	5.5	4	70.00
green land per capita	square meters	3	6.6	9.0	3	60.00
Gini coefficient	-	0.16	0.23	0.28	10	88.33
totals	-	-	-	-	100	63.16

Note: Initial values, current values, and comfortable life standards in this table were all calculated upon the basis of 1990 prices.

Rural Standards

92CE05164 Beijing ZHONGGUO TONGJI XINXI BAO in Chinese 11 May 92 p 2

[Article by the Comfortable Living Standards Unit, State Bureau of Statistics: "What Kind of Life Qualifies as Comfortable Living?"]

[Text] 1. Quantified Standards for Comfortable Rural Living

The system of comfortable living standards for the countryside includes 16 indicators in six different categories: income distribution, material wealth, spiritual life, quality of the population, living environment, and the social safety net. These six categories give a comprehensive reflection of the characteristics and needs of a comfortable rural life; they form an indivisible whole, with internal links among them. Income level is the decisive factor in the achievement of a comfortable life, while income discrepancies reflect the degree to which the members of an economically comfortable society have shared equally in the wealth. Material wealth (including the structure of consumption) constitutes the core content of a comfortable life, while the fullness of spiritual life is an important indicator of the achievement of comfortable living. A demand for full development of the individual naturally arises in a society which has attained a comfortable life. This requires improving the quality of the population (regardless of whether this term refers to the improvement of health or the improvement of people's knowledge). A basic prerequisite for full development of the individual is improvement of the living environment. The completeness or incompleteness of the social safety net and the state of law and order has a direct impact on the people's ability to live and work in peace.

1. The income standard for a comfortable rural life should be 1100 yuan (based on 1990 prices: same assumption throughout article).

The rural comfort line represents the minimum net per capita income required to support comfortable rural living. Based on voluminous statistics from rural surveys, and after repeated study, we have concluded that the income standard for comfortable rural living should be 1100 yuan. Limiting our attention to rural living standards, this means that rural living standards will undergo a qualitative change, advancing from the current stage in which nothing more than the basic requirement of food and shelter has been resolved, to an entirely new stage. This standard is 414 yuan higher than in 1990, and represents a greater increase, by 100 yuan, than the 317 yuan jump which occurred in the decade of the 1980's. This standard is in step with the target of achieving comfortable rural living, and it heralds resolution of the issue of achieving comfortable rural living. Widening our focus to compare with the nationwide situation, statistics from a nationwide rural survey in 1990 indicate that the portion of the peasant population whose income has reached 1103 yuan per capita enjoys a level of consumption of items of daily consumption that is 31 percent higher than the national average. Further breaking down this figure, their food consumption is 39 percent higher, clothing consumption is 54 percent higher, expenditures on construction are twice as high, consumption of household items is 64 percent higher, and expenditures on things other than physical products are 52 percent higher. Both in terms of material wealth and spiritual life, significant gains have been made.

2. The Gini coefficient for rural income distribution should be 0.3 - 0.4.

It is unacceptable for the Gini coefficient to be either too high or too low. If it is too high, it indicates excessive discrepancies in income and a tendency toward polarization; if it is too low, income discrepancies are too small, which easily leads to equalitarianism. We believe the Gini coefficient for rural income distribution should be 0.3 - 0.4.

3. The Gini coefficient should be 40 to 50 percent.
4. Per capita daily protein intake should be 75 grams or more.

Research by specialists in departments dealing with nutrition and health matters indicates that per capita daily protein intake should be 75 grams or more in China in order to satisfy basic physical requirements of the human body.

5. Per capita spending on clothing should be 70 yuan or more.

Statistics from a rural survey indicate that for the portion of the peasant population whose net income has reached 1103 yuan per capita, expenditures on clothing stand at 70 yuan. In light of this fact, we suggest setting the clothing expenditure standard for comfortable living at 70 yuan or more. Let it be noted that as clothing prices rise, this standard should rise correspondingly.

6. The percentage of floor space in housing built with either bricks and wood or steel-reinforced concrete (referred to hereafter as housing of steel or wooden structure) should be 80 percent or higher.

A survey of rural households has shown that for the portion of peasant population whose income has reached 1103 yuan per capita, 76 percent of all housing in terms of floor space is of steel or wooden structure. Housing of steel or wooden structure accounted for 48 percent of housing in 1980, and this figure increased by 14 percentage points during the 1980s, reaching 62 percent by 1990. It is estimated that a further rise of 18 percentage points in the next ten years is a possibility.

7. There should be a television set in 70 percent or more of all households.

Televisions were already in 68 percent of the peasant households in 1990 where net per capital income had reached 1103 yuan. In view of future trends in rural demand for televisions and the demand of a comfortable society for televisions, we believe the standard for television penetration should be set at 70 percent.

8. Expenditures on cultural and service items should account for 10 percent or more of all expenses.

9. Average rural life expectancy should be 70 years.

10. The average length of educational instruction for rural labor should be eighth grade.

In 1990, the average length of educational instruction for rural labor was 6.2 years, which was 0.6 years longer than in 1985. For that portion of the peasant population whose net income indicated achievement of comfortable living by 1990, the average length of educational instruction was seven years. The opinion of specialists is that the target should be eight years.

11. The following standards in the areas of the living environment, the social safety net, and law and order

have been provided by the Ministry of Health, the Ministry of Civil Affairs, the Ministry of Justice, and various departments which deal with communications, posts, and telecommunications: safe drinking water (over 90 percent of the population should have safe drinking water); greater availability of electricity (over 95 percent of households should have electricity), quick and convenient transportation (over 85 percent of rural villages should have a highway); convenient access to a telephone (over 70 percent of administrative villages should have telephone service); a better social safety net (the percentage of the population covered by the five guarantees should be increased); better law and order (the number of criminal cases per 10,000 population should be reduced to five); standards for life expectancy and nutrition should reach levels for middle income countries. The quality of life for rural residents shall undergo a comprehensive improvement.

II. Comprehensive Evaluation of the Current Rural Standard of Living

Assigning an index value of 100 to the standards described above for a comfortable rural life, we find that the current rural standard of living matches up as follows:

1. The overall index rating for China's current rural standard of living is 50.6. This means that we have now satisfied the basic need for clothing and shelter and, on top of that, we are now 50.6 percent of the way to achieving comfortable living in the countryside. In the next ten years, 49.4 percent of the road remains to be traveled, and the task will be quite difficult since we are now starting from a higher base.

2. The Gini coefficient and average life expectancy are already at levels corresponding to a comfortable life. We should continue working to assure that the Gini coefficient remains between 0.3 and 0.4, and the average life expectancy continues to rise; we cannot relax our efforts to improve health just because these two indicators have reached a level corresponding to comfortable living.

3. The following seven indices are above 50: percentage of households with electricity; the percentage of administrative villages with a highway; the percentage of housing of steel or wooden structure; the percentage of households with a television; the percentage of expenditures on services; the percentage of the population with safe drinking water; and the percentage of the population covered by the five guarantees. With hard work, we can bring these indices up to a level corresponding to comfortable living.

4. The following three indices are between 40 and 50: average net peasant income (48); protein intake (46); and

expenditures on clothing (42). It will take a tremendous effort to bring these indices up to a level corresponding to comfortable living.

5. The following four indices are below 40: the Unger coefficient, the average length of educational instruction for rural labor, the percentage of administrative villages with telephone service, and the number of criminal cases per 10,000 population. It will be quite difficult to bring these indices up to a level corresponding to comfortable living, particularly the latter two. The percentage of administrative villages with telephone service, a positive indicator, has been falling in recent years, while the number of criminal cases per 10,000 population, a negative indicator, has been rising. Turning this situation around is the most pressing task at hand.

6. Development trends will differ from one region to the next. It will be impossible for every rural village in China to achieve a comfortable life simultaneously in the year 2000. Calculating on the basis of 1990 prices, the minority of rural villages in the fastest developing regions are already basically capable of achieving comfortable living; some in regions that are developing relatively quickly will gradually achieve comfortable living as the year 2000 approaches, and some regions will still have great difficulty trying to achieve comfortable living by the year 2000.

National Standards

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BAO in Chinese 11 May 92 p 2

[Article by the Comfortable Living Standards Unit, State Bureau of Statistics: "What Kind of Life Qualifies as Comfortable Living?"]

[Text] I. Quantified Indicators for a National Comfortable Life Standard

1. Per capita GNP should be 2400 yuan.

The phase two target in China's development strategy is to achieve a two-fold increase in GNP, which will bring it to a level corresponding with comfortable living. Basing our calculations on 1990 prices, GNP after a two-fold increase would stand at 3.1 trillion yuan, and with an average population growth rate in the 1990's of 1.25 percent, that would mean a per capita GNP of 2400 yuan, which we have set as the standard per capita GNP for comfortable living.

2. The percentage of GNP accounted for by tertiary industry should be 36 percent

World Bank statistics indicate that tertiary industrial output in 1988 accounted for 32 percent of GNP in low income countries, and 50 percent in middle income countries, while it accounted for 27.2 percent of China's GNP. In view of China's overall conditions and using our current accounting categories, comfortable living standard for the percentage of GNP accounted for by tertiary industrial output should be 36 percent. After

factoring in differences in statistical categories and errors in calculation, this standard is equivalent to the minimum level for a middle income country.

3. The Gini coefficient should be between 0.30 and 0.35.

The Gini coefficient is an important indicator of the degree of equality in income distribution. Countries with market economies generally evaluate the Gini coefficient as follows: 0.2 indicates a very high degree of equality; 0.2 - 0.3 indicates a relatively high degree of equality; 0.3 - 0.4 indicates relatively rational discrepancies; 0.4 or above indicates excessive discrepancies. Making reference to these standards, and keeping in view the goals of China's income distribution system as well as experience in the 1980's, we believe that a Gini coefficient between 0.30 and 0.35 would be appropriate for China. This standard is lower than that in most countries with market economies, but it embodies the characteristics of China's system of public ownership of the means of production, and it is in line with the degree of income disparity considered tolerable by Chinese citizens. Furthermore, it can both improve efficiency and assure achievement of the goal of enabling everyone to become prosperous at the same time.

4. The percentage of the population living in poverty should be 5 percent or below.

The percentage of the population living in poverty is a negative indicator which reflects the effectiveness of the social safety net. According to the poverty line set by the State Bureau of Statistics, there was a total of 90 million urban and rural residents still in poverty in 1990, which is 8 percent of the total population. In accordance with the goals set for the social safety net in the 1990's, the proportion of the population living in poverty must be reduced to 5 percent or less if we are to achieve the standard for comfortable living.

5. Per capita annual income should be 1400 yuan.

The standard annual income per capita for comfortable living should be 2380 yuan in the city and 1100 yuan in the countryside (for details regarding the method of calculation, see articles on this page on the urban and rural situations). After each figure is given its proper weight, the national standard for comfortable living comes to 1400 yuan.

6. The floor space of housing with a steel or wooden structure should be 15.5 square meters per capita

The urban standard for comfortable living is 8 to 10 square meters per capita, while the rural standard for housing of steel or wooden structure is 18 square meters. After each figure is properly weighted, the national standard for comfortable living comes to 15.5 square meters of floor space per capita in housing of steel or wooden structure, which would give every person a relatively spacious habitation.

7. Daily calorie intake should be 2600 kilocalories, and daily protein intake should be 75 grams

Specialists from the World Health Organization and the UN Food and Agriculture Organization believe that 2385 kilocalories and 75 grams of protein are the dietary standards necessary for "a common citizen of this earth" to maintain normal activities. Taking into account generally encountered physical demands upon a citizen in an economically comfortable society, as well as the food consumption characteristics of China's urban residents and the availability of grains and livestock, the comfort standards for China's urban residents should be set at 2600 kilocalories and 75 grams of protein.

8. The Unger coefficient should be between 47 and 49 percent.

The United Nations Food and Agriculture Organization divides income levels into four broad categories on the basis of the Unger coefficient: poor, fed and clothed, comfortable, and rich. The basic numbers are as follows: above 60 percent, poverty; 50 to 60 percent, fed and clothed; 40 to 49 percent, comfortable; 30 to 39 percent, rich, below 20 percent, very rich. The Unger coefficient for comfortable urban living in China is 44 to 46 percent, and for comfortable rural living it is 50 percent. After a comprehensive consideration of urban and rural standards, we believe that the national standard for comfortable living calls for an Unger coefficient between 47 and 49 percent.

9. The average percentage of expenditures for cultural activities and services should be 16 percent.

The average percentage of expenditures for cultural activities and services is a comprehensive indicator of material wealth and the degree to which spiritual civilization has been built up. The standard for comfortable living is 10 percent in the countryside and 16 percent in the city. In accordance with changes in various relevant variables, when comfortable living has been achieved

this figure should stand at 22 percent for urban residents, and the national figure should be 16 percent.

10. Average life expectancy should be 70 years

According to figures released in the March 1991 UN "Statistical Monthly," the average life expectancy for the entire world's population between 1985 and 1990 was 61 years. According to World Bank statistics, average life expectancy for those born in 1988 in was 66 years in middle income countries, and 76 years in high income countries. Average life expectancy in China in 1981 was 67.5 years, but it had reached 70 years by the end of the 1980's. In view of the fact that average life expectancy in China is already rather high, the standard for comfortable living in this area should be set at 70 years.

11. The middle school enrollment rate should be 55 to 60 percent.

By the late 1980s, the middle school enrollment rate was 37 percent in low income countries, 54 percent in middle income countries, and 93 percent in high income countries. Making reference to these figures and keeping in mind current urban and rural enrollment rates in China, we believe that a rate of 55 to 60 percent would appropriate for comfortable living.

II. A Comprehensive Evaluation of the National Standards for Comfortable Living

In order to accurately describe how China's overall standard for comfortable living compares with those from around the world, and to carry out a scientific evaluation of China's standard upon this basis, we have used comprehensive indices to make a quantitative comparison between China's urban and national standards for comfortable living with actual living standards in middle income lower-middle income countries around the world.

An International Comparison of China's National Standards for Comfortable Living

Item	Unit	middle income countries		comfortable living standards		lower-middle income countries	
		average value	weight in overall assessment	average value	weight in overall assessment	average value	weight in overall assessment
per capita GNP	US dollars	1930	30	1090	16.9	1380	21.5
percentage of GNP contributed by tertiary industry	%	50	10	36	7.2	45	9.0
rooms of housing per capita	#	1	14	1	14	0.67	9.4
calorie intake	cal/day	2672	6	2600	5.8	2600	5.8
protein intake	grams/day	70	7	75	7.5	65	6.5
Unger coefficient	%	40	9	48	7.5	45	8.0
average life expectancy	years	66	16	70	17.0	65	15.8
middle school enrollment rate	%	54	8	57	8.4	49	7.3
comprehensive index	-	-	100	-	84.3	-	81.3

A comprehensive evaluation reveals that when an index rating of 100 is assigned to the average living standard of middle income countries, China's standard for comfortable living (84.3) basically corresponds with that of a lower-middle income country (83.3). This standard reflects the early stages of comfortable living which China shall achieve by the year 2000, and it is also in line with our efforts to reach a medium level of development by the middle of the next century.

An analysis of progress achieved to date indicates that the nation as a whole is 57.7 percent of the way to achievement of comfortable living, which is to say that we have come more than half way to achieving our goal between 1980 and 1990. Cities have come two-thirds of the way, while the rural population has come half way. One quarter of the population, located mainly in coastal areas near Shanghai, Guangdong, Zhejiang, Beijing, Fujian, and Jiangsu, have basically already achieved comfortable living. We believe it is completely possible that the entire country may achieve comfortable living by the year 2000. However, we must also be aware that each additional percentage point increase during the next ten years will be more difficult to achieve because the base numbers are bigger in 1990. Given the additional fact of uneven development between the cities and the countryside, and between different regions, it will be a very difficult task for the entire country to achieve comfortable living.

Government Suggestions on Limited Companies

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[Text] of the "Suggestions Regarding the Norms of Joint-Stock Limited Companies" issued "recently" to localities by the State Economic Restructuring Commission]

[Text] Beijing, 18 June (XINHUA)—Chapter I. General Principles.

Article 1. A joint-stock limited company (hereafter known as company) refers to a business entity in which its registered capital is composed of equal-value shares [gu fen 5140 0118] that are issued in the form of shares certificates (or rights certificates) to raise capital, its shareholders [gu dong 5140 2639] and those who apply to purchase its shares shoulder limited liabilities, and itself and its total assets are liable for its debts.

Article 2. A company must abide by the laws and regulations of the state as well as these suggestions on its norms (hereafter known as norms), defend the interests of the state and public, and accept legal supervision from relevant government departments.

A company should abide by the "Regulations on Experimentation With Joint-Stock Enterprises" and its complementary policies.

Article 3. A company's legal rights and operations are protected according to law, and no units, organizations, and individuals are permitted to violate or illegally interfere with them.

Article 4. A company cannot become an unlimited shareholder of other profit-making organizations.

When a company becomes a limited shareholder in other profit-making organizations, the total investments in these profit-making organizations shall not exceed 50 percent of its own net assets. However, investment companies and holding companies approved by departments authorized by the government are not subject to this restriction.

Article 5. The name of a company should clearly indicate the words "joint-stock limited company" and should meet the provisions for the registration and regulation of business-entity names.

Article 6. The location of its main office shall be the address of a company.

Chapter II. Establishment

Article 7. A company may be established by way of sponsorship or placement.

When a company is established by way of sponsorship, the shares of the company shall be subscribed by the sponsors [fa qi ren 4099 6386 0086] and shall not be issued to anyone who is not a sponsor. Only major state construction projects can adopt the sponsorship method to establish companies.

The methods of placement include directional capital raising [ding xiang 1353 0686] and public capital raising. When a company is formed by directional capital raising, the remaining shares besides those subscribed by the sponsors shall not be issued open, to the public. However, it can issue some shares to other legal persons and, with approval, issue some shares to its own workers. When a company is formed by public capital raising, the remaining shares besides those subscribed by the sponsors should be issued to the public.

Companies that are established by way of sponsorship and directional capital raising shall be known as directional capital-raising companies; companies established by public capital raising shall be known as public capital-raising companies. When an directional capital-raising company intends to raise its capital by issuing more shares after being established for more than a year, it can, after approval, convert into a public capital-raising company.

Article 8. The number of shares subscribed by sponsors when they establish a company by the capital-raising method shall not be less than 35 percent of the total number of shares issued by the company.

Article 9. The number of sponsors for establishing a company should be three or more.

When a large-sized state enterprise reorganizes itself to become a company, the enterprise itself, after special approval, may become the only sponsor, but it should adopt the capital-raising method to establish the company.

Article 10. The sponsors of a company refers to persons who, after reaching agreement to incorporate a company in accordance with these regulations, will purchase its shares and be responsible for its incorporation.

Company sponsors shall be legal persons established within the territory of the People's Republic of China (excluding private enterprises and solely foreign-owned enterprises). However, if the sponsors of a company come from Chinese-foreign joint ventures, their number should not exceed one third of the total number of sponsors. A natural person [zi ran ren 5261 3544 0086] shall not act as a sponsor.

Article 11. In converting itself into a company, an existing enterprise shall invest all its existing assets in the company and may become its sponsor. When an existing enterprise does not act as a sponsor, the owners of the assets of the enterprise shall become sponsors of the company.

In converting itself into a company, an existing enterprise should straighten out its positions regarding creditors' rights, clear all its debts, and retain a qualified organization to evaluate its assets and a registered accountant to verify its capital and ascertain the ownership of its net assets. A company so converted shall take over the creditors' rights and liabilities of the existing enterprise, which shall voluntarily dissolve itself upon incorporation of the company.

In the event that an existing enterprise chooses to act as a company sponsor in the conversion process, approval of its asset owners shall be sought and a shareholders' representative be assigned.

Article 12. The authorized capital of a company shall be the total paid-up capital lodged with the administrative departments for industry and commerce.

The total capital stocks shall be the product of multiplication of the face value of a company's shares and its total number of shares.

The minimum authorized capital of a company is 10 million yuan. The authorized capital of a company with foreign investment shall not be less than 30 million yuan.

Article 13. When sponsors reach agreement to form a company, they may jointly nominate one of the sponsors to go ahead with the incorporating procedures. (1) The department having jurisdiction over the major line of business of a company shall be the department in charge of that company and shall be responsible for examining the opinions submitted for its incorporation.

(2) Capital construction and technical transformation projects, as well as projects involving foreign investments requiring mandatory state approval and other

projects requiring the approval of relevant government departments, should go through the usual approving process.

(3) In converting itself into a company, a foreign-funded investment enterprise should submit the amended versions of the original agreement and the memorandum of association to the original approving authority for initial examination and approval before submitting them to the Ministry of Foreign Economic Relations and Trade for final examination and approval.

(4) The sponsors shall submit such documents as memorandums for incorporating a company, application papers, feasibility reports, memorandums of association, assets valuation reports, capital verification reports, share subscription prospectuses, and comments of department in charge of a particular trade to departments authorized by the government to examine and approve the incorporation of companies (led by the State Economic Restructuring Commission or the economic restructuring committees at provincial, autonomous regional, and municipal levels—hereafter referred to as government-authorized departments) for examination and approval.

(5) The PRC Ministry of Foreign Economic Relations and Trade shall, upon approval, issue a certificate to a company with a foreign equity participation of 25 percent or more.

(6) The sponsors shall, within 30 days after obtaining approval from the government-authorized departments, register themselves for operations with the administrative departments for industry and commerce at the same level.

Article 14. All documents submitted by the sponsors shall be in Chinese. A foreign language may be added if deemed necessary among sponsors. The approving Chinese version shall be the authentic version.

Article 15. Application for the incorporation of a company should briefly contain: (1) The sponsors' names, addresses, and their legal representative.

(2) The name, aims, and objectives of the company.

(3) The investment of company funds and scope of operations.

(4) The incorporating mode, total investment, total share capital, proportions of sponsors' subscription, scope of share subscription, and means of fund-raising.

(5) Total company shares, total of other categories of shares, face value of each share, and shareholding structure.

(6) The sponsors' basic particulars, credibility proof (an existing enterprise converting into a company should attach reasons for conversion).

(7) Other essential information.

(8) Submission date, signature of sponsors' legal representative, and official seals of the sponsoring units.

Article 16. A study report on the feasibility of establishing a company shall include the following: (1) The name of the company and its address.

(2) Production, management, capital, and creditability information about, as well as the investment capability

of the initiator (where the company is formed by the reorganization of an existing enterprise, information regarding its production, operation, assets, debt, and profits in the past three years shall be included).

- (1) A company's total investment, total fixed capital stock, issuance of its shares and calculation of share premiums, amount of needed loanable funds, and the ratio of its net assets to its total assets.
- (4) Investment intention, scale of investment, construction period, and estimated cost.
- (5) Information on the company's products or scope of operation, its development orientation, and market demands.
- (6) Expected economic returns.
- (7) Other matters which must be explained.

Article 17. The following must be clearly stated in a company's charter:

- (1) Its name and address.

- (2) Its purposes and scope of operation.

- (3) Its organizational form and scope regarding the issuance of shares.

- (4) Its registered capital, total number of shares, total number of shares of various categories, their rights and interests, and the amount per share or stock.

- (5) The methods used in transferring shares or stocks.

- (6) The rights and obligations of shareholders.

- (7) The functions and powers of a shareholders' meeting and its rules of procedure.

- (8) A company's legal representative (chairman of the board or manager) and his/her functions and powers.

- (9) The composition, functions and powers, and rules of procedure of the board of directors.

- (10) The composition, functions and powers, and rules of procedures of operational and management organs.

- (11) The composition, functions and powers, and rules of procedures of supervisory committees.

- (12) The method of profit distribution of a company.

- (13) The principle for the financial, auditing, and accounting system of a company.

- (14) Stipulations on labor management, wages and benefits, and social insurance.

- (15) The company's procedure for the revision of its charter.

- (16) The method and procedure for the termination of a company and for the liquidation of its accounts.

- (17) The method of issuing circulars and notices.

Other stipulations other than those listed in the previous paragraph may be included in a company's charter provided they do not contradict the provisions of the Norms.

Article 18. A company wishing to issue public shares in society shall, in accordance with the relevant provisions of the People's Bank of China, submit an application to the People's Bank of China or other authorized branches (hereafter referred to as people's bank). Shares may be issued only after approval is obtained.

Article 19. After all shares of a company are paid in, the initiator must convene an inauguration meeting within 40 days. All share subscribers (or representatives

entrusted by them) must be informed. An inauguration meeting may be held if the participants include more than two-thirds of the share subscribers (or their entrusted agents). An inauguration meeting shall be handled in accordance with the provisions of Article 48 when the participants are fewer than two-thirds of the share subscribers (or their entrusted agents).

The tasks of the inauguration meeting are:

- (1) To hear and examine a report by the founder on establishing the company.
- (2) To adopt the rules of the company formulated by the founder.
- (3) To elect directors of the board.
- (4) To elect supervisors of the board.

The above-mentioned matters should be approved by a resolution of the inauguration meeting. Items 1, 3, and 4 should be in accordance with item 1 of Article 46; item 2 should be in accord with item 2 of Article 46.

Article 20. Within 30 days after the opening of the inauguration meeting, the board of directors should apply to a relevant administrative organization for industry and commerce for registering the company as a legal person with the following documents:

- (1) Application forms for registration.

- (2) A document issued by an authorized government department that approves the establishment of the company.

- (3) A People's Bank of China document that approves the selling of the shares by a company that raises capital publicly, the company should submit the document.

- (4) Rules of the company.

- (5) Names of directors of the board and its legal representative. (company that raises capital publicly should include brief descriptions of directors and legal representative)

- (6) Minutes of the inauguration meeting.

- (7) A certificate of capital signed by a registered accountant.

- (8) Other required documents.

After registration with the approval of the relevant administrative organization for industry and commerce, the company is formally established and obtains the status of a legal person.

Article 21. The founder of a company shall assume the following responsibility:

- (1) If capital is not totally accumulated through the issue of shares, the founder has the responsibility to buy up the remaining shares.

- (2) If the company cannot be established, the founder shall be responsible for solving problems of debts and other fees.

- (3) If the company that raises capital publicly cannot be established, the founder shall be responsible to repay those who have bought shares plus interest in accordance with the agreement.

(4) If the founder makes mistakes and the company incurs economic losses in the process of establishing the company, the founder shall be responsible for providing necessary compensation.

Chapter III. Shares

Article 22. Shareholders may invest with money or other things of equivalent value such as buildings, plants, machinery, and facilities or intangible properties such as industrial production rights, nonpatented technologies, and land-use rights.

The shares bought with intangible properties (not including land-use rights) must not exceed 20 percent of the registered total assets.

Subscribers of shares with properties other than money should have their properties evaluated and confirmed in accordance with related stipulations of the state.

Subscribers of shares with state-owned assets should have those assets evaluated, confirmed, and certified in accordance with related regulations of the State Council and the National Administration of State Property. Shares obtained with the money equivalent of state-owned assets will become state-owned shares if it is in accordance with item 1 of Article 24 and will become shares of the legal person if it is in accordance with item 2 of Article 24.

Article 23. A company putting up common capital shares may also put up preferred shares

Dividends for common shares shall be distributed after the payment of preferred share dividends. Common share dividends shall not be fixed, they shall be decided by the company management in accordance with the procedure prescribed by the norms.

A company must pay preferred share dividends in accordance with the promised rate. Holders of preferred shares do not enjoy the rights and interests regarding a company's publicly accumulated funds. When a company's profits are not sufficient for the payment of preferred share dividends at the promised rate for the year, they shall be made up by the profits earned in later years. A company's charter may include other specific provisions on other rights and interest regarding preferred shares.

Should a liquidation of the assets of a company occur upon its termination, the preferred share holders shall enjoy the right to receive the company's remaining assets ahead of the common share holders.

Article 24. The shares of a company are divided into state shares, legal person shares, individual shares, and foreign capital shares on the basis of the composition of investors. (1) State shares are those formed when a government department or unit with the authority to invest on behalf of the government invests in a company with state assets.

State shares are generally common shares.

State shares are held by departments and units authorized by the State Council or by departments or units authorized by local people's governments in accordance with the decision of the State Council (hereafter referred to as departments or units holding state shares). These departments or units may appoint share ownership representatives. (2) Legal person shares are those formed when a corporate invests in a company with assets it can allocate according to law or those formed when an institution or social organization with a corporate qualification invests in a company with assets permitted by the state to be used for doing business.

When a company holds more than 10 percent of the shares of another enterprise, the latter is not permitted to buy the former's shares. (3) Individual shares are those formed when an individual or a company staff member or worker invests in a company with legitimate property.

Shares held by a natural person (not including foreign capital shares held by foreign investors and investors of our country's Hong Kong, Macao, and Taiwan areas) may not exceed 0.5 percent of a company's total shares.

Subscribing for shares by staff members and workers of a company that sells shares to designated units must not exceed 20 percent of the total shares of the company.

Subscribing for shares by staff members and workers of a company that raises capital publicly must not exceed 10 percent of total shares being sold publicly. Companies that change from issuing shares to designated units to selling shares publicly should not sell additional shares to staff members and workers of those companies.

Shares to be sold publicly by companies that raise capital publicly must not be less than 25 percent of the total number of shares of the those companies, unless the state has special regulations governing the proportion. (4) Foreign capital shares are special shares in renminbi (RMB) procured by investors from foreign countries and our country's Hong Kong, Macao, and Taiwan regions.

According to the nature of assets, shares obtained with the investment of state assets and shares obtained with the investment of assets of collectives are all called public shares.

Article 25. The shares of a company are issued in the form of share certificates. However, companies that sell shares to designated units shall use share rights documents instead of share certificates.

Companies that sell shares to designated units shall not issue share certificates, while companies that raise capital publicly are not allowed to issue share rights documents.

Article 26. The share certificates issued by a company should be registered with shareholders' names.

Share certificates will be written with names of shareholders or units.

Share certificates owned by various departments and organizations should be registered with the name of those organizations or legal persons. They must not be registered with separate names or names of representatives of various departments and organizations.

The names of natural persons registered in share certificates should be in accordance with the names in their residential certificates or passports.

Article 27. Companies shall not issue share certificates without a face value.

The selling prices of shares must not be lower than the face value of share certificates.

The prices of share certificates of same type issued at the same time by a company must be the same.

Article 28. Share certificates are written proofs certified by companies concerning shareholders' rights and obligations according to the quantities of their shares.

Share certificates should include the following things: (1) Name and address of a company that issues share certificates.

(2) Serial number of documents and dates of the registration of the company or the issue of new shares.

(3) The registered capital of the company, the type of share, the amount of each share, and the face value of each share.

(4) The total quantity of shares issued at this time.

(5) The name or title of the shareholder.

(6) The serial number of share certificate.

(7) The date of issue.

(8) Other things that should be put down in writing.

Rights certificate shall specify the limitation on the purchase and transfer of shares in addition to the items listed in the preceding paragraph.

Share certificates shall become valid after being signed by the chairman of the board and sealed by the company seal.

Share certificates shall include the serial number of the document and date of approval by the people's bank authorizing the offering of the shares; rights certificates shall include the serial number of the document and the date of approval authorizing the offering of the shares.

Article 29. Companies given approval to accept foreign investment may issue a special type of share in renminbi denominations (B-type shares for short) with the approval of the People's Bank of China.

B-type shares refers to renminbi-denominated shares to be purchased and transacted in foreign currency designed exclusively for purchase or sale by investors from foreign countries and China's Hong Kong, Macao, and Taiwan areas.

Investors from foreign countries and China's Hong Kong, Macao, and Taiwan areas shall not purchase or sell Renminbi-denominated shares (A-type shares for short), and investors other than those from foreign countries and China's Hong Kong, Macao, and Taiwan areas shall not purchase or sell B-type shares.

Article 30. Shares may be transferred by shareholders in accordance with the relevant state regulations and company charter, they may also be given to others as gifts (excluding publicly held shares), inheritances, and security pledges provided that the following provisions are not contradicted. (1) In the case of companies established by way of sponsorship, transfer of the rights certificates shall be carried out between legal persons. In the case of companies established by way of directional capital raising, transfer of the rights certificates shall be carried out between legal persons or between staff members and workers of the companies depending on the status of the original holders. Rights certificates held by staff members and workers of a company shall be transferred strictly within the company and shall not be issued or transferred to individuals outside the company. If a year after founding, a company established by way of directional capital raising need to be restructured into one established by way of public capital raising and to increase the offering and transfer of shares to raise capital, it shall do so after obtaining the approval of the departments possessing such power granted by the state and follow the provisions of Article 34 of the Suggestions, and at the same time, it shall replace the share certificates issued. (2) Legal persons, regardless of category, are not permitted to transfer to staff members and workers of their corporations the publicly owned stocks, subscription rights certificates, and preemptive rights in their possession, nor are they permitted to give staff members and workers as a gift the shares bought with collective welfare fund, bonus fund, or public welfare fund. (3) The transfer of state shares and foreign capital shares shall be made in accordance with relevant government regulations. (4) The shares bought by the sponsors cannot be transferred within one year of the date of establishment of the company. (5) The shares owned by staff members and workers of the company (excluding the shares owned by those who have left the company or died) cannot be transferred within three years of the date of purchase. (6) The shares owned by the directors of the board and the managers of the company cannot be transferred in the first three years of their tenure; during the rest of their tenure, they may transfer not more than 50 percent of their shares to others with the consent of the board of directors. The transfer of shares by the directors of the board and the managers of a public capital-raising company must be reported to the state, provincial, autonomous regional, or municipal economic restructuring commission (hereafter referred to as economic restructuring department) and the People's Bank for the record. (7) The shares of a company cannot be transferred as of the day of the company's liquidation.

Article 31. If an individual shareholder who is not a sponsor wants to buy more than 10 percent of the total

shares of a public capital-raising company. he must inform the company of his desire and obtain the approval of the People's Bank and the economic restructuring department.

Article 32. A company shall not buy back nor keep the shares issued by itself, except under a special situation of capital reduction. If under the special situation, it wants to buy back and keep the shares issued by itself, it must request the special approval from the economic restructuring department and the People's Bank.

Article 33. If shares certificates are lost, the shareholder should publish a public statement to void them. If his statement is not refuted within 90 days, he may request the company to issue him replacements of the lost shares certificates.

Article 34. If a company wants to increase its capital by issuing shares, its board of directors should formulate a plan, a resolution on increase of capital and revision of the company articles should be adopted by the shareholders meeting, and all formalities should be completed according to regulations. To issue shares, a company with foreign investment should obtain prior approval from the PRC Ministry of Foreign Economic Relations and Trade, while a public capital-raising company should obtain prior approval from the People's Bank.

After all the shares are sold, the company should request the industry and commerce administrative department to alter its registered capital.

Article 35. Any investment project funded through the issuance of additional shares should conform to government industrial policies and the development plan of the trade and the region.

Article 36. The interval between two additional share issuances of a company should not be less than 12 months.

Article 37. The value of the new shares issued by a company for the purpose of capital increase at the time of issuance should not exceed the company's original net assets, unless the government stipulates otherwise.

Article 38. A company is not permitted to issue additional shares if its profits are insufficient to pay the dividends of preferred shares for two consecutive years or if fails to pay the dividends of common shares two years after its payment of the dividends of preferred shares.

Chapter IV. Shareholders and Shareholder Meeting

Article 39. The owners of the shares of a company are shareholders of that company. Shareholders enjoy rights and bear obligations that are commensurate to the type and amount of the shares held by them.

Shareholders of common shares have the right to attend or entrust an agent to attend the shareholders meeting and have the right to vote. All shareholders have the same voting rights.

Shareholders of preferred shares have no right to vote. However, if the company fails to pay dividends on preferred shares, the shareholders of preferred shares will enjoy the rights prescribed in Article 41.

Article 40. If a legal person is the shareholder of a company, the shareholder's rights are exercised by the legal person's statutory agent or by its statutory agent's representative.

Article 41. Shareholders have the following rights: (1) To attend or entrust their representatives to attend the shareholders meeting and to vote.

(2) To transfer their shares in accordance with these norms and the articles of association.

(3) To examine the articles of association, the summaries of shareholder meetings, the minutes of company meetings, and accountant's reports, supervise the company's business operation, and make suggestions or address inquiries.

(4) To receive dividends of their shares.

(5) To obtain the company's remaining property according to law after the termination of the company.

(6) To enjoy other rights prescribed by the articles of association.

Article 42. Shareholders have the following obligations:

(1) To abide by the articles of association.

(2) To pay for their shares according to the terms agreed upon.

(3) To bear responsibility for the company's debts within the limits of their shares.

(4) Not to withdraw their shares after the company completes registration with the industry and commerce administration.

(5) To commit to other obligations prescribed in the articles of association.

In addition, if a share subscriber fails to pay for the shares he has subscribed, he is considered to have given up his subscription, and he is liable to compensate for any loss caused to the company.

Article 43. The shareholders meeting is the highest unit of power of the company, and it makes decisions and exercises its functional duties on the following things: (1) To examine and approve the reports of the board of directors and the board of supervisors.

(2) To approve the company's profit distribution plan and deficit remedy plan.

(3) To approve the company's fiscal budget, final accounts, statement of assets and liabilities, profit report, and other accounting reports.

(4) To decide on the company's capital increase or reduction, on enlarging the scope of share subscription, and on changing from an oriented-placement company to a public-placement company, and to approve the company's stock sale plan.

- (5) To decide on the company's issuance of bonds.
- (6) To elect or recall members of the board of directors and the board of supervisors and decide on their remuneration and way of payment.
- (7) To decide on the company's establishment of branches, merger, termination, and liquidation.
- (8) To revise the articles of association.
- (9) To examine the proposals made by any shareholder who holds 5 percent or more of the total shares.
- (10) To decide on other things as stipulated by the articles of association.

The decisions of the shareholders meeting must not violate laws, regulations, these norms, and the articles of association.

Article 44. Shareholders hold annual meetings and provisional meetings. (1) The annual meeting is held once a year within six months after the end of fiscal year. (2) The board of directors shall convene a provisional shareholders meeting when one of the following situations happens:

- (a) One third of the board of directors becomes vacant;
- (b) The company's accumulated loss, which has not been made up for, accounts for one third of the total value of its capital stock;
- (c) Two or more shareholders, each owning 10 percent or more of the company's total shares, call for the convening of the meeting; or
- (d) The board of directors or the board of supervisors deems it necessary to convene the meeting.

Article 45. The shareholders meeting should be convened by the board of directors. The shareholders should be informed of the meeting and its purpose by a public notice no later than 30 days and no sooner than 60 days before the date of the meeting.

A provisional shareholder meeting shall not decide on anything that is not contained in the public notice.

Article 46. The resolutions adopted by a shareholders meeting are either ordinary resolutions or special resolutions. (1) An ordinary resolution should be adopted by a meeting attended by the shareholders who together own more than one half of the total shares of the company and be voted for by more than one half of the shareholders present at the meeting.

(2) A special resolution should be adopted by a meeting attended by the shareholders who together own more than two thirds of the total shares of the company and be voted for by more than two thirds of the shareholders present at the meeting.

Article 47. When the following decisions are made at a shareholders meeting, they should be passed by special resolutions:

- (1) To increase or reduce the company's capital stock, expand the scope of shares subscription, convert from a directional capital-raising to a public capital-raising company, or change the method of shares transactions.
- (2) To issue debentures.

- (3) To merge, break up, wind up, and liquidate.
- (4) To amend the constitution.
- (5) Any other business that needs to be passed by special resolution as stipulated in the company constitution.

Other decisions made at shareholders meetings may be adopted by ordinary resolutions.

Article 48. When the number of shares held by shareholders at a shareholders meeting fail to form the quorum stipulated in Article 46, the meeting should be delayed for 20 days, and shareholders who are absent should be renotified.

When the number of shares held by shareholders at a delayed shareholders meeting still fail to form the quorum stipulated in Article 46, it should be deemed to have met the quorum, resolutions adopted at such a meeting by shares held by shareholders who are present and in accordance with the proportion stipulated in Article 46 will be regarded as effective.

Article 49. Every share has one vote at a shareholders meeting.

Article 50. Records of a shareholders meeting should be kept, and resolution items should become the minutes of the meeting. The records and minutes of the meeting should be kept together with the signature book of attending shareholders and the letters of proxy.

Article 51. Article 31 Clause 1 and Article 43 to Article 49 shall not apply to holders of preferential shares.

Chapter V. Board of Directors and Managers

Article 52. The board of directors is the permanent power body of the company and is accountable to the shareholders meeting.

The board of directors should have at least five members, and the number of members should be in odd numbers.

Article 53. The directors shall be elected at the shareholders meetings, and they can either be shareholders or nonshareholders.

The term of a director is three years, and the director can be reelected.

Article 54. The board of directors should perform its duties in accordance with the laws and regulations of the state, the norms in these suggestions, the company constitution, and the resolutions of shareholders meetings.

Article 55. The board of directors shall exercise the following functions and powers. (1) To decide on convening shareholders meetings and to report to them.

(2) To carry out the resolutions of shareholders meetings.

(3) To examine and approve the company's development programs and the annual production and operation plan.

- (4) To examine the company's annual financial budget, final accounts and profits distribution plan, and plans for covering losses.
- (5) To draw up the plans for raising or reducing the company's capital stock, expanding the scope of shares subscription, or converting the company from directional capital raising to public capital raising, and the methods for transacting the company's shares.
- (6) To draw up the company's plans for issuing debentures and for its debt policies.
- (7) To decide on the mortgage, leasing, contract, and transfer of important company assets.
- (8) To draw up the company's plan for break-up, merger, and winding up.
- (9) To appoint and dismiss senior management personnel, including the company's managers and accountants, and to decide on their remuneration and methods of payment.
- (10) To draft plans for amending the company constitution.
- (11) To put forth the company's filing for bankruptcy.
- (12) Any other functions and powers stipulated in the company constitution.

Except for matters in Clauses (5), (6), (7), (8), and (10), which require the approval of more than two-thirds of the directors, the rest of the matters may be adopted by the board when more than half of the directors approves. When there is a deadlock, the chairman of the board of directors shall have two votes.

Except for matters stipulated in these suggestions or in the company constitution that require them to be decided by the shareholders meeting, the board of directors should have the power to decide on all important business and administrative matters of the company.

Article 56. The board of directors shall meet at least once every sixth months. The board meeting shall be convened by the chairman of the board, and a written agenda of the meeting should be included when members of the board of directors are notified of the meeting.

An ad hoc meeting of the board of directors shall be convened when it is proposed by one third or more board members or company managers.

The way to convene a board of directors meeting shall be prescribed in the company charter (or in the company's organizational details).

Article 57. Members of the board of directors shall attend the board meeting in person when it is in session. If he is unable to attend, he may request, in writing, another board member to attend the meeting on his behalf, and the scope of the power of attorney shall be stated in the written request.

The proceedings of the meeting of the board of directors shall be recorded, and the record shall be signed by the attendees (including the representatives of the absentees) and the recorder. Members of the board of directors have the power to demand the entry of certain views in the

record. Members of the board of directors shall undertake decision-making responsibilities in accordance with the meeting's record. Where the board meeting's decision violates the stipulations in Article 54 and causes heavy losses to the company, the decision-makers of the board of directors are liable for making up the losses, but those who had disagreed with the decision may have their liabilities exempted. Members of the board of directors who have neither attended the meeting nor requested other members to represent them shall be considered as withholding their disagreement and thus shall not have their liabilities exempted.

Article 58. The board chairman is selected from among members of the board of directors. He is elected or discharged by two thirds or more of all the members of the board of directors.

Article 59. The board chairman is the company's legal representative. The company's charter shall have provisions for occasions when the board chairman is unable to assume the role as the legal representative.

The board chairman exercises the following authority:

- (1) Presiding over shareholders meetings and meetings of the board of directors.
- (2) Checking the implementation of decisions made by meetings of the board of directors, and report to meetings of board of directors.
- (3) Signing the company's shares.
- (4) Exercising special arbitration and management for the company during wars, devastating natural disasters, and emergencies; however, such arbitration and management shall be in the company's interests, and he shall report to the meeting of the board of directors and shareholders meeting afterward.
- (5) Exercising other authority prescribed in the company charter or conferred on him by the board of directors.

Article 60. Except those prescribed separately by the company charter, a company manager exercises the following authority:

- (1) Organizing the implementation of decisions made by shareholders meetings and board of directors meetings and reporting to the board of directors about the implementation.
- (2) Taking full charge of the company's day-to-day administrative and operational affairs.
- (3) Drafting the company's development plan, its annual production and operational plans, and its annual budget and final accounts, as well as its profit-sharing plan and plan for making up losses.
- (4) Appointing, discharging, and assigning the company's administrative personnel and staff workers, including its administrative officials (not including those personnel prescribed in item (9) of Article 55).
- (5) Making decisions relevant to rewards, penalties, promotions, demotions, pay increases, pay cuts, hiring, recruitment, termination of contracts, and firing the company's staff workers.

- (6) Representing his company in handling external business.
- (7) Exercising other authority conferred on him by the board of directors.

When the company manager exercises his authority, he shall not alter the decisions reached by the shareholders meeting and the board of directors, nor shall he exceed the scope of his authority.

Article 61. One who has one of the following shall not assume the office of board member or manager of the company:

- (1) One who is unable to or has been restricted in the exercise of one's civil conduct.
- (2) Principal responsible members of boards of directors, managers, or directors of an enterprise that has been legally closed or declared bankrupt because of mismanagement—for less than three years, starting from the day when deregistration of the enterprises was approved.
- (3) The former legal representative of an enterprise whose operating license has been revoked because of illegal operation—for less than three years from the day when its operating license was revoked.
- (4) Inmates who have been released after having fully served their sentences, personnel whose parole or probationary periods have expired, and personnel who have been released from education through labor—for less than three years.
- (5) People who have violated the criminal law and whose cases are still being investigated by judicial authorities.
- (6) People incapable of assuming an enterprise's leading offices as prescribed by state laws, regulations, and policies.

Article 62. Members of board of directors, and managers, are obliged to serve their company loyally and diligently. They shall not engage in activities that compete against their own company or in activities that infringe upon their own company's interests.

Chapter VI. Board of Supervisors

Article 63. A company may have a board of supervisors to supervise the board of directors, its members, the managers, and other administrative personnel.

Article 64. There shall be at least three people serving on the board of supervisors. They shall serve a three-year term and may be elected to serve continuous terms.

Representatives of workers shall account for at least one third, but not more than one half, of the posts on the board of supervisors. They shall be elected and dismissed by workers of the company.

The shareholders meeting nominates and dismisses no more than two thirds (including two thirds)—but not less than one half—of the members of the board of supervisors.

The chairman of the board of supervisors is elected and dismissed by at least two thirds of all the members of the board of supervisors.

Members of the board of supervisors shall not serve concurrently as members of the board of directors, managers, or other senior administrators.

Article 65. The board of supervisors exercises the following authority:

- (1) Attending meetings of the board of directors as an observer—by the chairman of the board of supervisors or its representative.
- (2) Supervising members of the board of directors, managers, and other administrators to see whether they have violated various laws and regulations, these norms, the company charter, or decisions made by shareholders meetings.
- (3) Checking the company's business and financial situation, account books, and other accounting information and demanding that board members and managers in charge of the company's businesses report on the company's business situation.
- (4) Checking the accounting report, business report, profit-sharing report, and other fiscal information that the board of directors will submit to the shareholders meeting. Whenever a question arises, the board of supervisors may, in the name of the company, request an accredited accountant or a professional auditor to recheck the reports.
- (5) Proposing the holding of an ad hoc shareholders meeting.
- (6) Making representations to the board of directors, or prosecuting members of the board of directors, in the name of the company.

The board of supervisors holds itself responsible to the shareholders meeting and reports its operation to the meeting.

Article 66. A decision of the board of supervisors shall have the concurrence of at least two thirds of its members.

Article 67. The company shall bear the expenses that the board of supervisors spends on hiring professionals—such as lawyers, accredited accountants, and professional auditors—to support its work while exercising its authority.

Chapter VII. Accounting and Auditing

Article 68. A company shall formulate its accounting system and internal auditing system in accordance with relevant laws, regulations, and policies of the state (or of the Ministry of Finance and the Auditing Administration during an experimental period).

Article 69. A company shall deliver its statements and reports to relevant government departments in accordance with regulations of the Ministry of Finance and the State Bureau of Statistics. It shall also deliver the duplicates of these statements and reports to departments in charge of economic restructuring during an experimental period. Balance sheets, profit statements, statements about fiscal changes, and other supporting documents of a fiscal year shall be ready at the company for shareholders' reference 20 days prior to the holding

of a shareholders' meeting. The accounting report of the fiscal year shall be certified by an accredited accountant.

Public capital-raising companies shall publicize relevant documents according to regulations.

Article 70. A company's post-tax profits shall be distributed according to the following order: (1) Making up losses

- (2) Retaining mandatory public reserve funds from profits
- (3) Retaining public welfare funds
- (4) Paying interest to preferred shares
- (5) Retaining voluntary public reserve funds from profits, and
- (6) Paying interest to ordinary shares.

The interest for both preferred shares and ordinary shares shall not be written off as production costs or expenses.

Article 71. The reserve is composed of accumulated profit reserve and capital reserve. (1) Accumulated profit reserve. Accumulated profit reserve is divided into statutory accumulated profit reserve and randomly accumulated profit reserve

- (a) Statutory accumulated profit reserve is amassed by setting aside 10 percent of the after-tax profits, and accumulation ceases when the amount reaches 50 percent of the registered capital stocks.
- (b) Randomly accumulated profit reserve is amassed and utilized in accordance with the company constitution or the resolutions of shareholders' meetings. (2) Capital reserve. The following funds are treated as capital reserve:
- (a) Premiums from shares issued above their face value.
- (b) Contributions received.
- (c) Other funds as specified by relevant state regulations.

Article 72. The use of statutory accumulated profit reserve and capital reserve is restricted to the following:

- (1) To cover losses. A company may use accumulated profit reserve to cover its losses.
- (2) To convert to capital stocks. By adopting a resolution at the shareholders meeting, a company may convert its reserve into capital stocks to distribute them to shareholders in proportion to their holdings or raise the face value of shares. However, when statutory accumulated profit reserve is converted into capital stocks, the amount of remaining reserve should not be less than 25 percent of the registered capital stocks.
- (3) Other uses as stipulated by the state.

Article 73. A company shall not pay dividends prior to drawing on the statutory accumulated profit reserve and the public welfare fund to cover losses.

When a company violates the preceding provision, debtors have the right to seek compensation for their losses.

Article 74. The public welfare fund shall be used for the collective welfare of the company's workers.

Article 75. When a company makes no profit in a given year, it shall not pay dividends. But after a company covers its losses with the accumulated profit reserve, it may use the accumulated profit reserve to pay dividends at no more than 6 percent of the face value of the shares in order to protect the reputation of the company's shares, by a special resolution at the shareholders meeting.

Article 76. A company may issue dividends in the following way:

- (1) Cash.
- (2) Shares.

Article 77. A company's dividends for ordinary shares should be in proportion to the shares held by shareholders.

Article 78. The dividends of shares held by the state shall be paid to organizations stipulated by the state.

Article 79. A company should deduct the necessary taxes from the dividend incomes of individual shareholders and pay the taxes on their behalf as stipulated by the taxation departments.

Article 80. A company should implement an internal audit system, establish an internal audit organization or be staffed with internal auditors, and carry out internal audit supervision of the company's financial income and expenditure as well as its economic activities, in accordance with the company's constitution and under the leadership of the board of supervisors or the board of directors.

Chapter VIII. Revision of Company Constitution

Article 81. Based on its requirements, a company may revise its constitution, but the revised constitution must not contravene laws and regulations or the suggestions.

Article 82. The revision of a company's constitution should be carried out according to the following procedures: (1) The board of directors shall draft the proposal for revising the constitution as stipulated in Article 55. (2) The shareholders should be informed of the proposal and a shareholders meeting should be convened to pass the resolution to revise the constitution as stipulated in Article 47.

(3) Revision of the company constitution should be drafted and decided according to the resolution in this regard passed by a shareholders meeting.

Article 83. When a company revises the following aspects in its constitution, it should apply to the departments charged with industry and commerce administration to register the changes after reporting them to the relevant departments for examination and approval: (1) To change the company's name.

- (2) To change, expand, or reduce the field of company's operations.
- (3) To increase or reduce the total amount of any categories of shares issued by the company.
- (4) To change all or some categories of the company's shares and to change all or some of the preferential rights.
- (5) To establish new categories of shares.
- (6) To expand the range of share subscription, convert from a directional capital-raising to a public capital-raising company, or change the method for transacting the company's shares.
- (7) To increase or abolish convertible securities.
- (8) To change the face value of each share.
- (9) To change any other clauses in the constitution that need to be passed by special resolutions at the shareholders meeting.

The company should directly apply to the industry and commerce administration to register other changes in the constitution not included in those mentioned above.

The company should notify shareholders of the revised clauses after the registration is modified.

No revisions of the company constitution shall take effect without the industry and commerce administration's ratification on the change of registration.

Article 84. When a company's changes in registration involve changes of name, address, field of operations, registered capital, and other registered items, as well as other items that require a proclamation, the company should make a proclamation.

Chapter IX. Mergers and Break Ups

Article 85. The merger of companies can take the form of absorption or the form of new establishment.

Merging by absorption means a company admits one or more enterprises into its organization, the parties being admitted disband themselves and their status as legal persons is annulled, whereas the party absorbing them continues to exist.

Being merged into a new establishment means a company is merged with one or more enterprises into a newly established company. All parties involved in the merger disband and their status as legal persons is annulled.

Article 86. All parties concerned should sign a merger agreement in merging companies. The merger agreement should mainly include the following: (1) Names and addresses of all parties in the merger.

(2) Name and address of the company which will continue to exist or the company newly established after the merger.

(3) Conditions of assets of all parties in the merger and measures for the disposal of them.

(4) Ways to handle creditor's rights and debts of all parties in the merger.

- (5) Total volume, categories and numbers of shares to be issued by the company continuing to exist or the newly established company after a merger to increase capital.
- (6) Items that all parties in the merger feel necessary to state clearly.

Article 87. When a company adopts a resolution for merging, it should notify its creditors individually, make a proclamation, and acknowledge its debts within 90 days.

Article 88. The company that continues to exist or the company newly established after a merger shall continue to assume creditor's rights and debts acknowledged by companies that are disbanded because of the merger.

Enterprises which are disbanded because of the merger should not conceal its creditor's rights or debts.

Article 89. After the merging agreement is concluded, all parties concerned should apply to the original authorities in charge of their kind of trade for the merging, and report to the department authorized by the government for approval after the authorities examine the application in accordance with the rules stated in Article 13. Within 30 days after the approval is received, the following documents should be brought to the industry and commerce administration for the application for changing the registration, registering the establishment, or cancelling the registration and to the taxation organ, within 30 days, to apply for change of registration, reregistration, or cancellation of registration: (1) The merging application.

(2) The ratification document issued by the department authorized by the government.

(3) Resolutions of shareholders' meetings (or owners) of all parties concerned in favor of the merging.

(4) The merging contract.

(5) The constitution of the company which will continue to exist or the newly founded company.

(6) Statements of assets and statements of profit and loss of all parties concerned, which are verified by certified public accountants before the merger, and auditing reports by certified public accountants, and others.

(7) Other documents required.

After going through the aforementioned formalities, the company should make a proclamation.

Article 90. The department authorized by the government should not approve the application, should the merging of companies is believed to have violated the state's laws, regulations, and policies on prohibiting monopoly and illegal competition.

Article 91. The breakup of a company is conducted in the following forms: (1) The company sets up another new company, based on the property and business of its division, and continue to exist itself. (2) The company divides all of its property to two or more newly established companies, respectively, and disbands itself.

Article 92. A company shall notify various creditors individually or collectively within 90 days of a breakup. In case of objections from a creditor, the company may opt to fulfill its debt obligations immediately or specify that one or more of the new companies assume the debt.

Article 93. All parties to a breakup shall sign an agreement in this regard. The agreement shall clearly define the financial holdings, lines of business, creditor's rights, and debts of all the parties.

Article 94. In case of a breakup, a company shall file an application with departments in charge of its line of business. The departments shall examine the application pursuant to Article 13 and submit it to authorized government departments for approval. The company shall file applications, along with the following documents, with industrial and commercial administrative departments, for changes in registration, new registration, or cancellation of registration within 30 days of approval. It shall also attend to relevant procedures with taxation departments within 30 days: (1) An application for initiating a breakup.

(2) Approval documents from authorized government departments.

(3) The agreement on the breakup.

(4) A resolution adopted by a shareholders' meeting in favor of the breakup.

(5) The articles of incorporation of various parties to the breakup.

(6) The company's pre-breakup balance sheet and profit statement as verified by a certified public accountant and the latter's auditing report.

(7) Other documents that shall be submitted.

The company shall issue a public notice after completing the above-mentioned formalities.

Chapter X. Closure and Liquidation

Article 95. A company shall be closed and liquidated under any of the following circumstances:

(1) Where the company's period of operation has expired.

(2) Where the factors of dissolution specified in the articles of incorporation have arisen.

(3) Where the purpose of the company's incorporation has been fulfilled or cannot be fulfilled.

(4) Where a shareholders' meeting has decided to dissolve the company.

(5) Where the company has been forced into closure for violating national laws and regulations, contravening these norms, and harming public interests.

(6) Where the company has declared bankruptcy.

Relevant provisions in the "Law of the People's Republic of China on Enterprise Bankruptcy (for Trial

Implementation)" shall apply if the company is closed under the circumstance outlined in Item 6.

Article 96. Where a company is closed under the circumstances outlined in Items 1, 2, 3, and 4 of Article 95, the board of directors shall inform the shareholders of matters pertaining to the closure, hold a shareholders' meeting, select members of the liquidating group, and issue a public notice on the closure.

The company shall form a liquidating group within 15 days of issuing a public notice on the closure.

Article 97. The company shall notify its creditors within 10 days and issue not less than three public notices within two months of creating a liquidating group. A creditor shall declare his rights with the liquidating group within 30 days of receiving the notice or within 90 days after the public notice is issued if he fails to receive an individual notice.

A creditor who has failed to declare his rights within the periods specified in the preceding paragraph shall not join the liquidation process. However, a creditor whom the company knows but has failed to notify shall not be excluded.

Article 98. The following are the functions of a liquidating group:

(1) Devising liquidation plans, liquidating the company's assets, and compiling a balance sheet and an inventory sheet.

(2) Handling the company's unfinished business.

(3) Assuming the company's rights as a creditor.

(4) Repaying the company's debts and dismissing the company's employees.

(5) Disposing of the company's remaining assets.

(6) Entering into litigation on behalf of the company.

Article 99. A liquidating group shall immediately stop the liquidation process and declare bankruptcy with a people's court if it ascertains that the company's assets are insufficient to pay off its debts.

The people's court shall attend to bankruptcy procedures after declaring the company bankrupt. The liquidating group shall turn over the liquidation business to the court.

Article 100. After a company decides to liquidate, no individual may dispose of its assets without the liquidating group's approval.

After paying the liquidation fees from the company's assets on a priority basis, the liquidating group shall pay off outstanding charges in the following order:

(1) Wages owed to the company's employees and outstanding social security payments accumulated within the three years prior to liquidation.

(2) Tax arrears and additional taxes and funds payable according to the State Council's administrative rules.

(3) Bank loans, corporate bonds, and other debts.

Article 101. A liquidating group may not distribute the company's assets to various shareholders without having made payments in the order prescribed in the preceding article

Any distribution of assets in violation of the preceding article is invalid. A creditor is entitled to seek a return of the assets and demand compensation for losses incurred as a result of the distribution.

Article 102. After a company has repaid its debts, the liquidating group shall distribute the remaining assets to various shareholders in the following order. (1) The assets shall be distributed among holders of preferred stocks pursuant to the face values of such stocks. Where the assets are inadequate to pay the stockholders, they shall be distributed in proportion to the shares of each stockholder.

(2) The assets shall be distributed among holders of common stocks in proportion to their shares.

Article 103. After the liquidation process is completed, the liquidating group shall submit a liquidation report, a balance of revenues and expenditures for the duration of the liquidation, and various account books to authorized government departments for approval. The documents must be verified by a certified public accountant. Afterward, the liquidating group shall attend to deregulation procedures with industrial and commercial administrative departments and taxation agencies before announcing the company's closure.

Chapter XI. Penalty Clauses

Article 104. Industrial and commercial administrative departments shall penalize a company for any of the following acts. If necessary, they shall pursue the liability of the parties concerned. (1) Where the company initiates various procedures of incorporation without following the provisions or complying with the time frames specified in these norms.

(2) Where the company carries out activities in its name without attending to registration procedures.

(3) Where the company practices fraud when attending to registration.

(4) Where the company engages in lines of business outside its registered scope of business or carries out illegal business activities.

(5) Where the company serves as a limited liability shareholder in other profit-oriented organizations with total investment exceeding half its net assets.

(6) Where the company increases its capital in violation of the provisions outlined in Article 34 and without asking industrial and commercial administrative departments to make corresponding changes in registration.

(7) Where the company is liquidated in contravention of provisions spelled out in the first paragraph in Article 97.

(8) Where the parties concerned capitalize on the company's merger, breakup, closure, and liquidation to steal funds, squirrel assets away, conceal or falsify debt entitlements and obligations, and avoid repaying debts.

(9) Where the liquidating group violates the provisions in Article 100.

Article 105. Financial or taxation departments shall mete out punishment if a company commits any of the following acts.

(1) Setting and declaring the remuneration of its directors and manager in violation of Item 6 of Article 43 and Item 9 of Article 55.

(2) Placing in the offices without following relevant provisions such documents as the articles of incorporation, a shareholders' roster, records and minutes of shareholders' meetings, balance sheets, inventory sheets, and financial charts, or making false records of such documents.

(3) Forwarding forms of meeting reports to relevant government departments without following pertinent provisions, hiding some accounting statements, or making false entries in accounting books.

(4) Distributing stock dividends in violation of Article 70.

(5) Drawing surplus statutory reserve funds without following the provisions outlined in Article 71 and incorporating them into the capital reserve.

(6) Using the reserve funds without following the provisions spelled out in Articles 72 and 75.

(7) Failing to fulfill the obligation of making tax deductions as specified in Article 79.

(8) Establishing unlisted funds.

(9) Raising public capital without issuing a financial notice that is designed according to the prescribed form and contains specified information, or providing false explanations, including misleading statements, or omitting major information in the notice.

Article 106. Economic restructuring departments shall order corrective action to any of the following acts. If the order is ignored, industrial and commercial administrative departments shall mete out punishment.

(1) Where the agreement, application, articles of incorporation, and other documents submitted by the sponsors in connection with the company's establishment contain false explanations, misleading statements, or major omissions.

(2) Where the company fails to operate pursuant to its articles of incorporation.

(3) Where the company revises its articles of incorporation without following the prescribed procedures.

- (4) Where the company holds its shareholders' meetings at intervals other than those specified in Item 1 of Article 44.
- (5) Where the company holds its board meetings at intervals other than those specified in the first paragraph of Article 36.
- (6) Where the company fails to prepare records and minutes of its shareholders' meetings.
- (7) Where the company fails to prepare records of its board meetings.

Article 107. The People's Bank (or economic restructuring departments) shall mandate corrective action to any of the acts committed by the company. If the company refuses to take the action, industrial and commercial administrative departments shall mete out punishment:

- (1) Where the number of shares held by the company's sponsor and employees violates Article 8, and where the number of shares held by a natural person violates Item 3 of Article 24.
- (2) Where the company seeks share subscriptions without official approval, or includes false information, misleading statements, or major omissions in the application and handbook in connection with such subscriptions.
- (3) Where a directional capital raising company [ding xiang mu ji gong si 1353 0686 0527 7162 0361 0674] issues stock certificates to individuals other than its employees or transfers shareholder registration to them.
- (4) Where the prices of shares issued by the company violate Article 27.
- (5) Where the company floats new shares in violation of Article 37.
- (6) Where an enterprise fails to notify a public capital raising company of its acquisition of over 10 percent of the latter's total stock according to relevant provisions, or acquires such stock without the approval of the People's Bank and economic restructuring departments.

Article 108. If shares are transferred in contravention of Article 30, the individuals committing or directly responsible for the act shall be fined.

Article 109. If a company for no proper reason does not begin doing business within six months of completing its registration, or if it suspends business for more than six months after starting up, its business license shall be revoked by the industry and commerce administrative organ.

Article 110. If any director of the board or the manager of the company violates the stipulations of Article 62, thus causing serious economic loss to the company, he should compensate for the loss. If the violation is criminal, he shall be dealt with by the judicial organ.

Article 111. When a company is penalized according to above articles, the penalizing organ should request the company to correct its law-violation behavior within a prescribed time while imposing punishment on the persons who are directly to blame. If the violation is serious

and criminal, the persons involved shall be handed over to the judicial organ and their criminal responsibility shall be dealt with according to law.

If the persons directly to blame (referred to in above paragraph) cause loss to the company, they shall be liable to compensate for the loss.

Article 112. If any certified accountants, auditors, lawyers, other specialized personnel or organizations violate these norms, laws, and regulations and make fraudulent and misleading reports or reports with important omissions, they shall be punished by relevant government organs and their legal responsibility shall be dealt with according to law.

Article 113. If government functionaries violate these norms, practice favoritism, and abuse their power in the course of performing official duties, they shall be punished by the supervisory organ.

Article 114. Specific penalty measures shall be executed according to relevant existing provisions. If no ready provisions are applicable, new ones shall be formulated by the industry and commerce administrative organ, the financial organ, the taxation organ, and the supervisory organ.

Chapter XII. Supplementary Provisions

Article 115. Companies established with the approval of the Ministry of Foreign Economic Relations and Trade of the People's Republic of China shall be governed by relevant laws and regulations governing enterprises with foreign investment, in addition to these norms.

Article 116. Foreign exchange matters in connection with the issuance and transfer of special renminbi stocks shall be handled according to the provisions of the foreign exchange management organ.

Article 117. Dividends of the special renminbi stocks and income from the transfer of the stocks may be remitted abroad from China after paying income tax according to law.

Article 118. Shenzhen may continue "Interim Provisions of Shenzhen for Limited-Liability Companies" promulgated by the city people's government.

Article 119. These norms shall be interpreted by the State Economic Restructuring Commission. Problems discovered by any company in the course of trial implementation of these norms should be solved through the coordination of the economic restructuring commission in the province, autonomous region, or municipality where the company is located. Local economic restructuring commissions should guide and supervise local companies in operating according to these norms.

[Issued by] the State Economic Restructuring Commission on 15 May 1992

(Note: please print in boldface all chapter subtitles and all the word Article together with the ensuing figure)

PROVINCIAL

Tianjin's Brisk Bond Market

92CE0535A Beijing JINRONG SHIBAO in Chinese
26, 28 May, 1 Jun 92

[Article in three installments by Correspondent Du Qiuying (2629 4428 5391); "Heat Wave' Envelops Tianjin"]

[26 May 92 p 1]

[Text] Investment, which is usually associated with foreigners, enveloped Tianjin this spring like a powerful heat wave. Everywhere from urban areas to townships and towns, from work units to homes, whether 16 or 17 year old lads not dry behind the ears yet, or white goateed old men, and no matter whether ordinary people or leaders throughout the city, the principal topic of conversation on the telephone, around the dining table, or at meetings is investment.

(1)

Investment fever has smitten Tianjin and it has also smitten the hearts of the people of Tianjin. Tianjin's Wall Street—Bank Street off Liberation North Road—is the "equator" where the heat wave surges all day long.

Before dawn, when the edges of the horizon are just slightly tinged with orange, a line has already formed in front of the entrance to the Agriculture Bank's Trust and Investment Corporation to buy Zhonghuan Electronic Computer Corporation short-term agio bonds.

At first light, a queue of people coils like a snake before the Bank of China, people vying with each other to buy 1992 treasury bonds.

At noon a line grows ever longer in front of the Municipal Securities Corporation door as people try to buy Binjiang Commercial Building construction bonds. The proprietors have to resort to emergency measures like issuing numbers and limiting quantities so that more people will be able to buy.

At dusk, even though "bonds sold out" signs signalling an end to the battle are hung out in front of the entrance to the Jianxing Trust and Investment Corporation, the crowd seeking to purchase Daquzhuang Industrial Corporation enterprise bonds is unwilling to leave for a long time.

At midnight, when the stars are twinkling, the Heping branch of the Construction Bank presents a bustling scene. Employees who have been busy 1 day long are still assembling, hauling, collecting money, and checking bonds. Outside the bank, people vying to buy eastern suburb sewage treatment construction bonds are still waiting patiently. Original plans called for the sale of 22

million yuan worth of bonds within a week, but the entire amount was sold out on the very first day they were listed.

The ordinarily tranquil Bank Street off Liberation North Road is seething with excitement! All day long heavy traffic crawls along it creating an uncommon din as punters [ganchao ren 6385 3390 0086], one group after another surging in from all over around the clock.

Tianjin city's punters come on bicycles, vying to buy local municipal bonds, vying to buy Chongqing highway municipal construction bonds, and vying to buy Beijing Asia Television Center bonds.

People from Shenzhen and Shenyang come by air to buy commercial center internal shares. People from Wuhan and Nanjing ask prices via a telephone price quoting network, seeking to buy 20 million yuan worth of 1992 treasury bonds. People from Xian, Haicheng, Dalian, Chongqing, Qingdao, and Anshan buy 50 million yuan worth of Daquzhuang Industrial Corporation short-term finance bonds and 10 million yuan worth of Binjiang Commercial Building construction bonds from the credit firms.

Punters crowd around; the Tianjin securities issuing market is finally about to spread its wings and take off. The quantities available and the speed of sales are at an all-time high. Statistics show the listing of 11 different kinds of Tianjin bonds during the previous four months. In addition to the traditional kinds of bonds such as treasury bonds, which the city people like very much, new kinds such as short term agio bonds, cestui que certificates, pioneering funds, graduated interest rate bonds, floating interest rate bonds, and coupon bonds have come on the market one after another. Stocks, which have been quiescent for 40 years, have reappeared. Flourishing families of securities are now held in the same amount as national treasury bonds, which formerly dominated the market. Financing has begun to enter an age of diversification. During the same period, more than 1.3 billion yuan in securities was issued. This was four times the total issued during all of 1991, and nearly the total amount issued during the previous 11 years.

(2)

History often repeats itself. During the late summer and early autumn of 1988, a panic buying crazed seize Tianjin, and has lasted to the present day. Within the short period of 10 days, urban residents withdrew 350 million yuan in savings from the banks, and completely cleaned out some shops in a spree of panic buying.

Is there a new tide this spring? People have detected a difference in the calm look of the punters, the accurate judgment of the punters, and the precise calculations of the punters.

"We have all the household appliances we need. The money we do not need for the time being, we can invest

properly." This was the statement of a middle age woman who was planning to buy 5,000 yuan worth of eastern suburb sewage treatment construction project bonds.

A young lad carrying more than 20,000 yuan in his pocket spoke very forthrightly. He said that the money is from comrades who want me to buy bonds for them. Prices are rising every year nowadays. Savings naturally have to be compared with prices, interest rates, and profit rates. Bond interest rates are higher than savings account interest rates, and they can be readily converted to cash, so people rush to buy bonds.

An old accountant nearly 60 was even more experienced and astute. In 1991, he used all of the 20,000 yuan that he had saved most of his life to purchase 1991 treasury bonds. This spring, five or six months later, he used some of the money, converting 2,000 yuan to cash on three separate occasions. The profit rate on the treasury bonds that he converted three times was higher than the interest rate of a five-year fixed savings deposit!

If one says that the panic buying of goods during the late summer and early fall of 1988 was an exhibition of people's awareness of the value of goods, and the preservation of value in goods, then this spring's greater and greater rush to buy bonds is a grand tour of people's awareness of finance, and the rise in value from the purchase of bonds. Isn't this a take-off and a kind of progress?

Although "just a fledgling," the Tianjin securities market has already spread its wings and is soaring through the blue sky

[28 May 92]

[Text] The Tianjin securities business has never been as vigorous, as well regarded, or as flourishing as it has been this spring!

Since the advent of reform and opening to the outside world, Tianjin's securities business has been reborn, but after only 12 months since its birth, and numerous travails, it has still not become relaxed. This is because the people cannot forget that during the early 1950's the first securities exchange in new China that Tianjin established was regarded as a capitalist tail that was cut off. Once bitten, twice shy.

In the spring of 1992, the "capitalist" label that was so tightly affixed to the Tianjin securities business was removed! Not only was its good name restored, but it happily gained the endearing appellation of "swimmer" in the new wave.

(1)

In early spring, the weather turned cold again after having suddenly become warm. The Municipal Securities Corporation boldly reported spring tidings to the Lida Group—issuance of internal shares and setting up a share system to transform the enterprise mechanism.

The Development Zone Trust and Investment Corporation relayed news of the spring deluge to one after another of the more than 200 medium and small enterprises that had set up shop in the development zone—a widening of enterprises' direct financing route to society, meaning an increase in the kinds of bonds listed and an increase in the amount issued.

Spring returned to the good earth, and the Tianjin securities business enthusiastically led one enterprise after another into the securities market. Early in the morning, when city residents thronged the financial control office, which had just opened its doors for business, Young Nie from the development zone trust and investment corporation, and Old Su, the deputy in the Tianjin Harbor Affairs Bureau arrived from 100 li away to turn in an application for the issuance of bonds. Cadres from the Municipal Trust and Investment Corporation, the Municipal Securities Corporation, and the Jianxing Trust and Investment Corporation gave up their public holiday to gather at the commercial center to help this help this more than 60 year old shopkeeper prepare a share issuance plan, and draw up stock share articles of association. The Bank of Agriculture's Trust and Investment Corporation provided numerous services for bond issuing enterprises ranging from helping them file declarations and request approval to designing share certificates for them and arranging for their printing, and from drawing up issuance regulations and issuing publicity to acting as agents in the issuance and cashing in of bonds.

Fanned by the securities business, Tianjin's bond mania rose to greater and greater heights. No sooner had the spring deluge of the Lida Group's internal shares subsided than the spring tide of the eastern suburb sewage treatment construction project bonds came rushing in. The 1992 national treasury flood stage had just peaked when the tide from the Zhonghuan Electronic Computer Corporation's agio bonds began to come surging in. In the short space of 3 months in the springtime, the people of Tianjin rode 11 tides.

(2)

The 11 tides, day and night, shook heaven and earth.

No sooner had the Bank of Agriculture's Trust and Investment Corporation, which had come to the city from the countryside, swept away its "country bumpkin" air than the boldness of spirit of dignified financiers appeared in a news conference held in a Sino-foreign joint venture four-star hotel. The corporation had signed an agreement with 22 enterprises to act as an agent in the issuance of 150 million yuan worth of bonds!

Liang Jiansan [2733 1696 0005], the manager of the Development Zone Trust and Investment Corporation disclosed to the correspondent three months ahead of time that he intended to issue cestui que bonds

The Municipal Trust and Credit Corporation maintained daily "hot line" contact with the media, reporting its new moves in the bond market and the stock market.

The Jianxing Trust and Investment Corporation, and the Heping Branch of Jianxing took correspondents into their sea to observe the tide, to write about the tide, and to shout encouragement.

Newspapers and radio and television broadcasting stations issued a torrent of words about securities that shook heaven and earth and jolted the minds of the people of Tianjin, thereby leading them to invest, thereby further propelling the surge of the securities tide in Tianjin.

(I)

Competition among securities was like waves leaping above the surface of the water, imbuing the Tianjin securities tide with a magnificent coloration.

The Municipal Trust and Investment Corporation, securities corporations, and trust and investment corporations representing agriculture, the central bank, and the construction industry kept in touch with the securities department of the Bank of Communications. Whenever there was the slightest sign of anything happening, they went into action without delay. They vied with each other for issuing rights as agents, for listing securities, for markets, and for name recognition.

Toward evening one day, the Bank of Communications learned that a press conference was to be held at the commercial center on the following day at which the issuance of internal shares would be announced. Quick as a flash, the bank contacted the mayor to get a piece of the action, demanding that it be allowed into the selling agent group.

The Municipal Trust and Investment Corporation received word that the Municipal Securities Corporation had sent personnel to its own "base of operations," immediately sending its best troops to mount a defense.

The Municipal Securities Corporation, whose information had been stolen, became more secretive about its actions. Others in the securities business who wanted to study and gain experience from the corporation were rejected graciously.

The Municipal Trust and Investment Corporation, and the Bank of Agriculture's Trust and Investment Corporation purchased the most sophisticated office equipment and used the most up-to-date methods to maintain contact, report prices, and trade with others in the same business nationwide.

The Municipal Securities Corporation advertised its need for holders of graduate and undergraduate degrees to augment the front line of the securities business. The Bank of Agriculture Trust and Investment Corporation transferred a college student with 1 year of experience in

financial work to its securities department. The Municipal Trust and Investment Corporation brought in some of the finest people to buttress its securities department forces.

The reputation of Tianjin's securities business is becoming greater and greater, securities broker's gravitating to it from all parts of the motherland. In the northeast, they come from Shenyang, Dandong, Changchun, Harbin, and Dalian. In the northwest, they come from Yinchuan and from Xian. From all over the country—north China, central China, east China, south China, and west China—securities brokers of all kinds converge on the Tianjin securities market to talk business and to do business. It is the right time, the right place, and the right people. During the spring of 1992, securities transactions broke the 1 billion mark in this fertile tract that is Tianjin.

[1 Jun 92]

[Text] I see it. Far in the distance I see businesses coming in on the surf: the Lida Group, the commercial center, and Zhongyuan Corporation and Department Store in the Huaihai Commercial Building.

I see it clearly. When the waves break nearby I see that close behind the collective enterprises, the township and town enterprises, and the Sino-foreign joint venture enterprises are state-owned industrial enterprises!

As of now, more than 240 business enterprises in Tianjin are taking part in the new wave of direct financing by society.

(II)

Standing at the head of the tide, the director of the Tianjin People's Bank, Shi Jiliang [0670 4764 5328], is overwhelmed with uncontrollable emotion.

At no time in the past were Tianjin's banks in such a difficult predicament. The electric refrigerator compressor plant urgently needs 27 million yuan, the Dagang Petrochemical Corporation is waiting for 30 million yuan, and six large cotton textile plants are seeking 17 million yuan...

The mayor approves credit, the bank managers disburse credit, and the People's Bank simply schedules payments. Moreover, the debt balance of industry, agriculture, the central bank, and construction stands at more than 15 billion yuan. Hard pressed, the banks have to rob Peter to pay Paul. They must borrow to get by.

Business enterprises are in the position of "knowing from personal experience in running a household just how expensive firewood and rice can be." Tens of billions of yuan tied up in unsaleable goods, bad debts, and slow selling merchandise are squeezing them to death. Billions of yuan are used to stanch losses, and tens of millions of yuan are owing. Bank credit funds are used for inappropriate purposes.

Industrial and Commercial Bank director, Feng Shuping [7458 2885 1014], complained loudly that enterprises can no longer live off of banks! Current financing methods must be reformed.

Shi Jiliang realizes clearly that the financing system in which indirect financing is paramount is an outgrowth of the planned economy system. Credit funds are highly centralized. The specialized banks rely entirely on the central bank for their funds, and half of the central bank's funds come from savings accounts.

(2)

A single financing method, and a single financing structure holds huge potential risks.

"Difficulties and opportunities exist together!" Cash wages of staff members and workers continue to increase, and the savings rate continues to rise tremendously, both fueling development of the securities market. Channeling society's investment, and taking a multi-component road of financing. Shi Jiliang's line of thought is gradually becoming clear.

Municipal CPC Committee deputy secretary and deputy mayor in charge of day-to-day business, Zhang Lichang [1728 4539 2490], listened to the bold ideas of the People's Bank and approved the People's Bank's 10 measures for "accelerating financial system reform."

"Calling us into the street to beg for food? Nothing doing! We are the national team, the bank's money should be tilted in our favor!" Some state industrial enterprises feel resentful.

"Issue bonds elsewhere, don't take away this city's savings," some people say in an effort to set limits.

"When many bonds are issued, the commodity market is hurt." Businesses are also greatly displeased.

Some people have not yet completely figured out that the financing tide surges toward society, swoops down on the economy, and engulfs a substantial number of enterprises.

The Industrial and Commercial Bank flatly announced that it was cutting off the route of retreat for some enterprises! It was concentrating its limited funds on providing for key needs. The entire bank is concentrating support on 111 key enterprises to ensure healthy development of the local economy.

Glass businesses in an industry that is generally losing money took a clear look at their own valuable family property becoming collateral for the Heping District office of the Industrial and Commercial Bank! As a result, they were no longer able to sleep, and they lost their appetite. They thought day and night about how to get out of their predicament.

The Medicinal Materials Consortium preferred not to enter the market to borrow from the public.

Tianjin Harbor—the starting point of the bridge between Europe and Asia—had no where to turn for a loan. It had no choice but to raise capital from society to accelerate the pace of its opening to the outside world.

Large and medium size state-owned enterprises—automobile companies—were unable to forget their history of honoring bills of exchange and making consumption loans to help get out of difficulties. While making good use of bank credit, they proceeded slowly, going into the market to raise money from customers for technological transformation and equipment replacement.

They left behind the years of "eating out of a large common pot." State-owned industrial enterprises longed for the "large common pot" for credit funds, which they found difficult to give up, but they said good-bye to yesterday.

(3)

Little by little, business enterprises have begun to find sweetness amidst the bitterness of the financial tide.

The Medicinal Materials Consortium accounting section head, Shen Mingqi [3088 7686 1477], did some figuring for the correspondent. Taking 1991 as an example, this consortium realized a profit of 101 million yuan on the borrowing of 360 million yuan, or 28 yuan on every 100 yuan borrowed. The interest rate on bonds is 2.7 percent higher than the interest rate on loans; however, in raising 10 million yuan, even after deducting the more than 270,000 yuan difference in interest payments on bonds in comparison with interest payments on a loan, more than 2.5 million yuan in profits could be earned in a year. Consequently, they issued new bonds to retire old bonds for three years in a row to make up for the credit shortfall.

The deputy manager of the Heping branch of the Construction Bank, Old Feng, said: "Although matters are not as carefree and easygoing now that we cannot dip into a large common pot for funds, there is another benefit." As the time for each bond redemption approaches, business enterprises send people out very early to collect on outstanding loans to get the money for deposit in the bank in order to be ready to pay bond-holders both principal and interest. The Heping branch has sold several hundred million worth of bonds to date, but it has never missed a scheduled repayment. This might be termed "bond effectiveness." In any case, enterprises feel that now that there is some pressure on them, their lives are much richer.

Business firms no longer regard the financial wave as strange or frightening. They have begun to take part in it. As a result, the mayor's fund allocation meetings have been discontinued, and the central bank at the local level has also begun to explore ways to change from direct regulation and control of the amount of funds allocated and the scheduling of funds to indirect regulation and control of financial management.

FOREIGN TRADE, INVESTMENT

Vice Minister Gan Discusses Sino-German Trade

920704274 Dusseldorf *HANDELSBLATT* in German
6 Jul 92 p 9

[Report on interview with PRC Vice Minister of Planning Gan Ziyu, by cf. "After the Suspension of Sanctions, German Industry Enjoys a Good Reputation in Beijing"]

[Text] Bonn—In the course of this year, the People's Republic of China will order plant and machinery from German manufacturers at a value of more than \$500 million. So said Gan Ziyu, Deputy Planning Minister in Beijing and head of a Chinese purchasing delegation which is traveling in Europe at the present time, in an interview with *HANDELSBLATT*. Today, Monday, Gan will meet with businessmen at the Eastern Committee of German Business in Cologne to discuss details of Beijing's import policy.

Gan intends to use his visit to the Federal Republic to nurture Sino-German economic relations beyond the concrete negotiations on the imports decided upon by China within the framework of the eighth Five-Year Plan. These relations had definitely cooled last year, when, due to the political and economic sanctions imposed by the German Bundestag following the Tiananmen massacre, German enterprises obtained only a fraction of the orders placed. The situation is different this year. German industry is likely to grab the lion's share of the order volume for Europe that Gan assesses at more than \$2 billion.

Deng's New Guidelines Already Operative

Actually, the change in Beijing's attitude is not only the result of the lifting of sanctions agreed on by the Bundestag just two weeks ago. Gan also cites recent Chinese modernization efforts, the consequence of the reformist guidelines promulgated by party elder Deng Xiaoping prior to last fall's CPC [Chinese Communist Party] congress. This provided an important motivation for the new Chinese import wave. Gan explained that, in contrast to 1991, when the Chinese purchasing delegation placed large orders mainly with those EC countries that had promised government loans, two-thirds of the amount for orders now in the pipeline will be paid in cash.

The orders conform to the greater Chinese demand for imports. The minister estimated this at \$100 billion in the next five years. Plants acquired from Western industrial countries are to predominantly serve the modernization of agriculture, water supply, the energy industry, telecommunications, and the raw and basic materials industry. The reconstruction of enterprises operating with obsolete machinery, machine building, the electrical and electronic industry, as well as light industry and the textile industry will also enjoy priority.

China wishes to obtain mainly the following investment goods from German suppliers: Plants for the production of fertilizers, iron and steel equipment, plants for the production of pipes, heavy trucks for use in desert regions, motor vehicles, electric plants as well as measuring and control equipment, machine tools, textile and printing machines. The Chinese delegation intends to settle more than half of this list of orders while still in Germany, the remaining orders are to be negotiated and ready for signature within a few months.

Gan welcomed the lifting of sanctions as an important and positive step toward the improvement of bilateral relations. "We claim that sanctions were a double-edged sword. They affected both parties." Gan would like the future development of relations with Germans to proceed on the principles of mutual respect, equality, the observance of reciprocal advantages, and noninterference in domestic affairs. More attention needs be paid to common interests than to differences. Gan cites a proverb: "When we want to look across 1,000 km, we need to stand at a greater height."

In consideration of the 20th anniversary of diplomatic relations next October, Gan offers a positive summing-up of Sino-German relations. According to the minister, their overall "development has been satisfactory." Even though ideological differences persist with respect to the organization of society and values, China and Germany may definitely provide an important common contribution to peace and development. China had always backed the German claim for unification and now expects Germany to display similar understanding for the efforts toward Chinese unity.

German Companies Underrepresented

Gan thinks that the two countries complement one another, and that this represents the basis for the future development of Sino-German trade. China is the second largest partner country for Germany in Asia. German business is in first place among China's trading partners in Europe. In view of the Chinese economy's "massive modernization needs," Gan foresees a favorable situation for the exchange of goods. The planning minister explained that the PRC intends in the next few years to double its GNP [gross national product] and is ready to expand cooperation with Germany in "all sectors."

Gan thinks that German capital investment in China will have the greatest scope. He hopes that German industry will not only appreciate but also utilize the opportunities arising from Chinese reforms and modernization. According to Gan, German industry should "quickly jump on the train that is already moving." By the end of 1991, Chinese agencies had approved a total of 42,000 projects with foreign participation. Their total value amounts to \$52.3 billion and the paid-up capital to \$23.2 billion. In the meantime, 27,000 enterprises established with foreign participation have started production.

By comparison with the above, the commitment of German companies in the PRC is relatively modest. Up to now they have invested roughly \$1.1 billion in 120 projects. Still, Deputy Planning Minister Gan is optimistic: "The interest of German firms in China has risen again, and given Germany's great economic strength, it should be no problem to increase investment once again."

Demoeconomic Density Zones Defined, Analyzed

92C E04724 Beijing RENKOU YU JINGJI /POPULATION AND ECONOMY/ in Chinese No 2, 23 Apr 92 pp 44-48

[Article by Lu Zhong (4131 1813), a graduate student in the Department of Geography, Xian Teachers College "An Analysis of Regional Differences in Demoeconomic Density in China"]

[Text] China is the world's most populous nation. Its huge population is dispersed over a broad area, but regional distribution is uneven. Moreover, China is a developing country, and although as a nation it yields some economic clout, regional economic development remains uncoordinated. How can we visualize the relationship between population distribution and level of economic development? Students who have considered this concept in the past have come up with some objective criteria for demonstrating this relationship, but they have consistently fallen short of a comprehensive definition. I believe that an appraisal of the relationship between a nation's or a region's population distribution and its level of economic development is best done using the concept of a "demeconomic density index." This article addresses this issue from that angle. These ideas are entirely preliminary, like seed money, intended to spur discussion and draw further ideas from my colleagues.

I. The Theory of "Demeconomic Density"

"Demeconomic density" refers to the numerical population of a region which has reached a certain level of economic development. It contrasts the numerical resident population of a region with its economic indicators, reflecting various relationships between population and economy. The general formula is as follows:

Demeconomic density index = Total population/Economic development indicator.

For example, if population were being compared to cultivated land area, the ratio would be called the demo-cultivation density index, and the ratio would reflect the relationship between population and cultivated land.

Demeconomic densities can be calculated for seven different economic indicators, reflecting the relationship between population and level of development for each. For example, the demo-industrial density index, demo-agricultural density index, and demo-transport density

index are the results of calculating the ratios of population to output value or output in the industrial, agricultural, and transport sectors of the economy, respectively.

A comprehensive evaluation of the relationship between population and economy in any given region is usually done by comparing population to composite indicators such as GVIAO, [Gross Value of Industrial and Agricultural Output] GNP, national income, and total energy consumption in order to calculate the demoeconomic density index. The model employed in this paper uses GVIAO in this capacity, as follows:

Demeconomic density index (stated as people/10,000 yuan) = Total population / GVIAO.

From the above ratio it is evident that what this demoeconomic density index actually reflects is the demoeconomic encumbrance of the given country or region. Its advantage is that it can relatively comprehensively mirror the relationship between a region's population and its level of economic development. When applying demoeconomic density indicators, attention should be paid first of all to selecting, based upon local conditions a major indicator that will accurately reflect the relationship between the level of economic development and the population distribution of the area concerned such as GVIAO or income. Second, historical comparison should be used to analyze the evolution of that indicator in that region over time.

II. Characteristics of Regional Differences in Demoeconomic Density in China

China covers a vast territory and encompasses a diverse mixture of regions. Its population accounts for over one-fifth of the earth's total. In such a huge nation, it is a given that there will be great differences between provinces and between regions in their respective levels of economic, cultural, and social development, as well as in population factors. This paper presents a preliminary demoeconomic analysis of the 29 provinces, centrally administered municipalities, and autonomous regions in the mainland (exclusive of Taiwan). It attempts to describe the nature of regional differences in demoeconomic density.

I. Striking Regional Disparities in Demoeconomic Density

First of all, the demoeconomic differences between the various provinces, centrally administered municipalities, and autonomous regions are wide indeed. Based on 1988 national indicators—a total population of 1.09614 trillion people and a GVIAO of 2.4089 trillion yuan—the average demoeconomic density index for China as a whole was 4.55 people/10,000 yuan. But at this same time, of the 29 different provinces, centrally administered municipalities, and autonomous regions, Beijing, Shanghai, Tianjin, Jiangsu, Liangning, Zhejiang, Guangdong, Jilin, Heilongjiang, Shandong, and Hubei had lower than average demoeconomic density indexes and the remainder had higher than average demoeconomic density indexes. In nationwide perspective, the lowest demoeconomic density index (0.94) was in Shanghai and

the highest (14.93) was in the Tibet Autonomous Region. There is a 16-fold difference between them. When we compare the different provinces, centrally administered municipalities, and autonomous regions among themselves, we also see that demoeconomic density is very uneven and there are striking disparities. Among provinces, the lowest density index (2.43) is in Jiangsu, and the highest (10.78) is Guizhou. The difference is 4.4-fold. Among autonomous regions, the lowest density index (5.54) is in Xinjiang and the highest (14.93) is in Tibet. The difference is 2.71-fold. Among centrally administered municipalities, the lowest density index (0.94) is in Shanghai, and the highest (1.74) is in Beijing. The difference is 2-fold. From these data it is obvious that the greatest disparities in demoeconomic density index occur on the provincial level, the next most serious disparities occur between autonomous regions, and the least serious disparities occur on the municipal level (see Table 1).

Table 1—1988 Demoeconomic Density Indexes for China's 29 Provinces, Centrally Administered Municipalities, and Autonomous Regions (Population/GVIAO expressed as Number of People/10,000 yuan)

Political Unit	Demeconomic Density Index
Shanghai	0.94
Tianjin	1.16
Beijing	1.74
Jiangsu	2.43
Liaoning	2.49
Zhejiang	2.91
Guangdong	3.31
Jilin	3.99
Hainan	4.14
Shandong	4.15
Hubei	4.54
Fujian	4.98
Xinjiang	5.54
Inner Mongolia	5.91
Hebei	6.16
Shaanxi	6.31
Aghui	6.45
Hunan	6.66
Shaanxi	6.78
Jiangxi	6.80

Ningxia	6.99
Qinghai	7.00
Henan	7.03
Sichuan	7.36
Gansu	7.39
Guangxi	9.27
Yunnan	9.46
Guizhou	10.78
Tibet	14.93

Second, seen from the perspective of China's three regional divisions, in general, western China has a high demoeconomic density, central China has the next highest density, and eastern China has a low density. Yet even within each of these regional divisions the demoeconomic density varies markedly.

In western China (with the exception of the Xinjiang and Inner Mongolia Autonomous Regions) the demoeconomic density index falls between 6.99 and 14.93, in central China (except for the Guangxi Zhuang Autonomous Region) it falls between 4.54 and 7.03, and in eastern China (except for Hubei) it falls between 0.94 and 5.00. From these figures it is clear that the demoeconomic density index increases gradually as you go from east to west. As for the differences within each region, in eastern China the lowest density index is in Shanghai (0.94) and the highest in Hebei (6.16), in central China the lowest density index is in Hubei (4.54) and the highest in Guangxi (9.27), and in Western China the lowest density index is in Xinjiang (5.54) and the highest in Tibet (14.93).

The regional disparity in demoeconomic density indexes between eastern, central, and western China, and between the provinces, centrally administered municipalities, and autonomous regions within each of these regions, is a reflection of their marked differences in economic development and natural resource conditions.

Third, the demoeconomic density index declines as elevation rises. In China the vertical distribution of population ranges from newly reclaimed land near sea level to as much as 5,000 meters above sea level, and the drop [as published] in demoeconomic density index as a factor of increasing elevation is quite striking. Demoeconomic density indexes are lower on the plains than in the mountains. Demoeconomic density indexes also vary among high-elevation populations. They gradually increase as one goes from the low foothills to the high mountain regions (See Table 2).

Table 2—Disparities Between China's Provinces, Centrally Administered Municipalities, and Autonomous Regions in Demoeconomic Density Index as a Factor of Elevation (1988)

Elevation (in meters)	Name of Political Unit	Range of Demoeconomic Density Indexes (in people per 10,000 yuan)
0-1,000	Shanghai, Beijing, Tianjin, Jiangsu, Liaoning, Zhejiang, Guangdong, Anhui, Jinan, Heilongjiang, Shandong, Hubei, Hunan, Fujian, Hebei, Jiangxi, Henan, Guangxi	0.94-7.03
1,000-2,000	Yunnan, Guizhou, Gansu, Shaanxi, Ningxia, Shanxi, Sichuan, Xizang, Inner Mongolia	5.34-10.78
2,000-4,000	Qinghai, Tibet	7.03-14.93

*Exception: The demoeconomic density index of Guangxi is 9.27 people/10,000 yuan.

Fourth, the demoeconomic density indexes of economically developed, highly urbanized, and primarily industrial provinces, municipalities, and regions are smaller than those of their underdeveloped, less urban, primarily agricultural counterparts. Moreover, the demoeconomic

density indexes of provinces, municipalities, and regions with desirable demographics and more modern technological facilities are lower than those for regions which lack these features (see Table 3).

Table 3—The Relationship Of Economic Development and Urbanization to Demoeconomic Density Index in China's Provinces, Centrally Administered Municipalities, and Autonomous Regions (1987)

	Per Capita GVIAO (yuan/person)	Per Capita National Income (yuan/person)	Gross Social Product (billion yuan)	Urban Population Ratio (%)	Percent of GVIAO from Industry	Demoeconomic Density Index (people/10,000 yuan)
Shanghai	9,620.3	3,816	136.147	63.9	96.07	1.04
Tianjin	5,896.0	2,264	55.291	71.4	91.87	1.70
Beijing	5,293.3	2,413	62.590	72.8	91.55	1.89
Jiangsu	3,104.4	1,251	231.664	45.4	81.22	3.22
Zhejiang	2,615.7	1,241	130.243	51.6	80.15	3.82
Liaoning	3,212.3	1,510	147.209	50.9	83.16	3.11
Guangdong	1,987.0	1,098	167.976	66.1	73.57	3.03
Jilin	2,055.6	1,016	58.741	68.4	76.32	4.86
Heilongjiang	2,086.5	1,136	88.324	63.8	81.89	4.70
Shandong	1,510.9	935	175.275	59.2	74.64	6.67
Hubei	1,796.9	925	110.37	71.7	73.73	5.57
Fujian	1,824.4	815	50.010	45.5	68.12	7.02
Xi'an	1,405.2	853	23.303	44.8	57.89	7.12
Inner Mongolia	1,161.8	701	31.684	48.2	65.41	8.61
Hebei	1,457.3	791	103.290	56.8	72.69	6.86
Shaanxi	1,214.9	707	48.677	57.2	80.02	8.23
Anhui	1,228.2	681	79.413	51.3	62.17	8.14
Hunan	1,225.6	699	77.170	59.0	65.76	8.16
Shaanxi	1,016.8	607	45.14	40.3	71.76	9.81
Jiangxi	1,133.2	619	49.031	51.4	66.47	8.82
Ningxia	1,103.5	664	6.868	39.1	69.12	9.06
Henan	1,152.3	641	114.611	23.8	67.78	8.68
Qinghai	836.3	756	7.034	33.4	68.56	11.88
Sichuan	698.7	602	138.649	28.2	66.95	9.39

Table 3—The Relationship Of Economic Development and Urbanization to Demoeconomic Density Index in China's Provinces, Centrally Administered Municipalities, and Autonomous Regions (1987) (Continued)

	Per Capita GVAQ (yuan/person)	Per Capita National Income (yuan/person)	Gross Social Product (billion yuan)	Urban Population Ratio (%)	Percent of GVAQ from Industry	Demeconomic Density Index (people/10,000 mu)
Gansu	888.1	631	30,664	40.3	30.68	11.26
Guangxi	519	41,682	38.1	61.67	11.61	
Yunnan	834.3	525	36,933	28.2	64.17	11.99
Guizhou	888.7	663	27,987	30.3	37.48	14.21
Tibet	399.2	398	2,209	23.2	8.80	16.69

[*Figure (digitized)]

2. Change in Demoeconomic Density Over Time

During the 11 years from 1978 through 1988, changes in demoeconomic density were manifested primarily as follows:

First of all, the overall demoeconomic density index has declined. Demoeconomic density nationwide averaged 17.99 in 1978, 13.95 in 1980, 12.25 in 1982, 9.59 in 1984, 6.78 in 1986, and 4.55 in 1988. In 11 years it has declined 12.54 points. To illustrate with a few examples, between 1988 and 1978, the demoeconomic density index fell from 17.99 to 4.13 in Shandong, from 11.6 to 2.43 in Jiangsu, from 20.63 to 5.54 in Xinjiang, and from 33.79 to 10.78 in Guizhou.

Second the demoeconomic density index has declined at different speeds and to different extents in different regions. To quantitatively study the pace at which the demoeconomic density index has decreased, thus reflecting differences among the various provinces, municipalities, and regions, here the rate of decrease in the demoeconomic density index is used to illustrate the differences. The formula is as follows:

$$\text{Rate of decrease in the demoeconomic density index} = \frac{\text{Beginning demoeconomic density index} - \text{Ending demoeconomic density index}}{\text{Time elapsed}}$$

The results figured for China's 29 provinces, centrally administered municipalities, and autonomous regions are shown in Table 4.

Table 4—Rate of Decline in Demoeconomic Density Indexes in China's Provinces, Centrally Administered Municipalities, and Autonomous Regions, 1978-1988

Political Unit	Rate of Decline in Demoeconomic Density Index (%)
Beijing	22.09
Tianjin	*8.27
Shanghai	9.09
Jiangsu	83.36
Liaoning	46.64
Zhejiang	127.18

Guangdong	153.53
Jilin	92.18
Heilongjiang	33.64
Shandong	126.00
Hebei	126.33
Fujian	187.18
Xinjiang	137.18
Inner Mongolia	162.00
Hubei	102.82
Shaanxi	108.09
Anhui	209.45
Hunan	146.00
Shanxi	128.00
Jiangxi	134.18
Ningxia	112.71
Henan	196.87
Qinghai	90.27
Sichuan	181.09
Gansu	109.09
Guangxi	191.73
Yunnan	162.82
Guizhou	209.45
Tibet	106.44
All of China	114.00

[*Figure (digitized)]

From Table 4 we can see that the national demoeconomic density index declined 114 percent during the period covered. The rates of decline for Beijing, Tianjin, Shanghai, Jiangsu, Liaoning, Jilin, Heilongjiang, Hebei, Shanxi, Ningxia, Qinghai, Gansu, and Tibet, respectively, were lower than the national average, while those for the remaining political units were higher. The rate of decline varied widely among the various provinces, municipalities, and regions, ranging from a high of 209.45 percent in Guizhou to a low of 9.09 percent in Shanghai. Rates also varied considerably within geographic regions in the eastern, central, and western

portions of the nation. For example, in eastern China the demoeconomic density index decreased only 22.09 percent in Beijing and 46.64 percent in Liaoning, but it dropped by 187.18 percent in Fujian; in western China it dropped only 90.27 percent in Qinghai, but 209.18 percent in Guizhou; in central China it declined 108.09 percent in Shanxi, but 300.54 percent in Anhui. In all these cases the disparity is wide indeed, which indicates that the rate of decline is intimately related to the natural resources, economic development, historical evolution, ethnic composition, and social conditions that prevail in each province, municipality, or region.

III. Unequal Regional Economic Development Is the Primary Factor Contributing to Regional Disparities in Demoeconomic Density

At this point an optimal separation procedure was applied to an array of three indicators—demeconomic density, per capita GVIAO, and per capita national income—to calculate optimal separation for China's provinces, municipalities, and regions. Then the results were incorporated and readjusted and the nation's 29 provinces, centrally administered municipalities, and autonomous regions were divided into three groups based on the size of these indicators. For the demarcation of these group boundaries, see Table 5. Accordingly, an analysis of regional disparities in demoeconomic density in China follows.

Table 5—Demarcation of Groups by Indicators, and the Provinces, Municipalities, and Regions Belonging to Each (1987)

Group	Demeconomic Density Index (people/10,000 yuan)	Per Capita GVIAO (yuan/person)	Per Capita National Income (yuan/person)	Political Unit
I	1.04-6.62	10,000-1500	4,000-900	Shanghai, Tianjin, Jiangsu, Liaoning, Zhejiang, Henan, Jiangxi, Shandong, Guangdong
II	6.86-8.82	1,500-1,100	813-609	Hebei, Fujian, Sichuan, Anhui, Hunan, Shandong, Inner Mongolia, Hainan, Jiangxi
III	9.06-16.69	1,100-600	796-485	Ningxia, Sichuan, Shaanxi, Gansu, Guangxi, Qinghai, Yunnan, Tibet, Guizhou

1. The Effect of National Economic Development Level on Disparities in the Demoeconomic Density Index

Since 1978 the national economic level has grown tremendously all across China, but there are still disparities between different regions. These disparities can be analyzed quantitatively using various national economic indicators. Here, per capita GVIAO and per capita national income will be used to examine this issue. When the formula for per capita GVIAO is compared with the formula for demoeconomic density, it becomes clear that the two stand in an inverse proportional relationship. That is, the greater the per capita GVIAO, the smaller the demoeconomic density index, and the smaller the per capita GVIAO, the greater the demoeconomic density index. Because per capita national income and per capita GVIAO are directly proportional, per capita national income and demoeconomic density must also be inversely proportional.

In 1987 the per capita GVIAO was 1,710.8 yuan and the per capita national income was 866.2 yuan. From Tables 3 and 5 it is evident that no matter whether the criteria is per capita GVIAO or per capita national income, Group I regions always exceed the national average. For example, in Shanghai the per capita GVIAO was 5.6 times as great as that of the nation as a whole, and the per capita national income was 4.4 times as great. In Liaoning the per capita GVIAO was 1.9 times as great as that of the nation as a whole, and the per capita national

income was 1.7 times as great. Moreover, the demoeconomic density indexes for Shanghai and Liaoning were lower than the national average (which was 5.85 people/10,000 yuan). Because of these factors, Group I regions are far more economically developed than the nation as a whole. Although according to these criteria Group II regions fall below the national average, they do not fall far below. For example, in Fujian and Hebei the per capita GVIAO was 1,424.4 yuan and 1,457.3 yuan, respectively, and the per capita national income was 813 yuan and 791 yuan, respectively. Even in Jiangxi, the province with the lowest marks in these categories, the per capita GVIAO was 1,133.2 yuan and the per capita national income was 619 yuan. These figures show that economic development in Group II regions approaches the national average. And although their demoeconomic density exceeds the national average, the difference is not great. Unlike the first two groups, Group III regions fall far below the national average both in per capita GVIAO and per capita national income. Ningxia, which had the highest readings in this group for these two economic indicators, nevertheless fell 607.3 yuan and 202.2 yuan below the national average for per capita GVIAO and per capita national income, respectively. The gap between the national average and the lowest scoring regions in Group III—Guizhou and Tibet—was truly enormous. Of the Group III regions, the lowest demoeconomic density index (9.06 in Ningxia) was 1.5 times the national average. In Tibet the demoeconomic density index was 16.69—three times the national average.

The Effect of Regional Disparities in Distribution of Productive Forces on Demoeconomic Density

Because the natural resources, socioeconomic base, and historical evolution differs from place to place, disparities have arisen in the distribution of productive forces.

From Table 5 it is clear that Group I regions are situated primarily in river and coastal plains areas. These areas are rich in hydrothermal resources, with a mild climate and a long history of development. They also have an excellent economic base, well-developed modern industries, technologically advanced facilities, established outside communications and transportation, and numerous large- and medium-sized cities evenly distributed throughout. Many of these cities are China's largest commercial, financial, and trade centers, so productive forces are well distributed, the economic level is quite high, and the demoeconomic density is low.

As far as geographical location is concerned, except for Hebei, Fujian, and Xinjiang, most of the Group II regions are situated in the central portion of China. The composition of land these territories encompass is diverse. In terms of natural resources and economic development, they represent a transition zone between eastern and western China. They possess something of an economic base and are in the early stage of modern industrial development. Mineral resources are plentiful—this region constitutes China's premier mining development zone. There is also a certain agricultural base, and communications and transportation are relatively well developed. Inner Mongolia and Xinjiang, situated in the border frontier area, possess a huge potential for mineral resource development, while they also constitute one of China's primary pastoral zones. In recent years the state has imported some advanced technology and skilled personnel into these autonomous regions from coastal areas, laying a foundation for economic development there, so that now Inner Mongolia and Xinjiang have a lower demoeconomic density index than the other provinces and autonomous regions in the western area. Hebei and Fujian are coastal provinces, where land and water communication and transportation lines are convenient. And because the state has instituted certain preferential policies for coastal regions, their economies are also relatively well developed.

Group III regions are situated in the border frontier areas and the western hinterland, and consist of high mountains, plateaus, and desert areas with an arid climate. Modern industry is poorly developed in these regions. Group III regions are home to the primary concentrations of China's ethnic minorities, and they also comprise the country's major livestock production zone. Industrial and agricultural development has been slow, technological equipment and facilities are outdated, personnel are poorly trained, and communications and transportation are poor, making links with the outside world difficult. The urban population is relatively small, and commerce, finance, and outside trade

are undeveloped. Some of the Group III provinces and autonomous regions are in the position of frontier outposts, which, because of national defense considerations, have not yet been included in China's primary construction zone. Consequently, they have a weak economic base and a high demoeconomic density index.

From the foregoing discussion it is clear that many factors contribute to disparities in demoeconomic density, but the deciding factor is unequal regional economic development.

AGRICULTURE

Jilin Party Secretary Writes on Agriculture

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[Article by He Zhukang (0149 4554 1660), Jilin Provincial CPC Committee secretary: "Strive To Enhance Comprehensive Production Capacity of Agriculture"]

[Text] "The Decision by the CPC Central Committee on Further Strengthening Agriculture and Rural Work" passed by the Eighth Plenary Session of the 13th CPC Central Committee has unequivocally targeted the enhancement of the comprehensive production capacity of agriculture as the major task for agriculture and rural work in the 1990's. To acquire a good understanding of the decision and implement it through diligent and serious work will have important significance to quickening the progress of agriculture and the whole socialist modernization building.

I. Enhancing Comprehensive Production Capacity of Agriculture Inevitable Choice in Development of Agriculture in 1990's

Comprehensive production capacity of agriculture refers to the relatively stable and overall development level of agriculture in a given period which is secured by the injection of a variety of factors and determined by a variety of essential elements. The factors determining the comprehensive productive capacity of agriculture include internal ones such as the building of agricultural infrastructure facilities and the level of accumulation, the education, popularization, research, and promoting of agricultural science and technology, the scope and organizational level of agricultural management, as well as the ecological balance of agriculture. In addition, they also include external factors such as industries for agriculture, the development of rural collectivized services, and the macrocontrol ability of government administrative departments. Making the enhancement of comprehensive production capacity of agriculture the major task for agriculture and rural work in the 1990's is the objective requirement by the development of agriculture and rural economy in the 1990's and even the next century. It has great significance to quickening the country's agricultural modernization and promoting the

development of the overall national economy. We must have a clear understanding of the point.

Only by enhancing the comprehensive production capacity of agriculture can we solve the problems faced by the development of agriculture in order to further develop the country's agriculture. Agriculture has greatly developed following rural reforms in the past 10 years and more. The implementation of the contract responsibility system on a household basis with remuneration linked to output has, in particular, greatly aroused the peasants' socialist enthusiasm, and has tapped the potential for development accumulated over many years. The problem of food and clothing for peasants has been basically solved. However, to further develop agriculture on the basis, we are faced a series of outstanding contradictions. One is the contradiction between a large population and limited arable land. The rural population in the early 1990's increased by 357 million or 74 percent as compared with that in the early 1950's, whereas the per capita arable land dropped from 2.7 mu to 1.26 mu, a 53 percent drop. Another is the contradiction between the great demand for urgent investment in agriculture and the inability to satisfy the demand. On the one hand, the input-out ratio is low in the present stage and the efficiency is low. The average annual growth rate of the year-end balance of agricultural loans by the Bank of Agriculture of China is by about 22 percent from 1980 to 1990. However, social gross output value of rural areas across the country in 1990 as calculated on the basis of comparable price had an average increase of 12.7 percent as compared with that of 1978, of which the gross agricultural output value had an average annual increase of only 6.1 percent. On the other hand, as more investment is needed to develop agriculture nationwide, the current situation is far from being able to meet the demand. The proportion of investment on agricultural capital construction in the overall state investment on capital construction was about 11 percent in the first and second Five-Year Plans, and dropped to about 6 percent in the sixth Five-Year Plan, and further to about 3 percent in the seventh Five-Year Plan. The third is the contradiction between the demand for greater comprehensive utilization of agricultural resources and the lack of ability to carry out overall exploration. In 1990, there were still 35.35 million hectares of land that could be reclaimed, and 224.34 million hectares of grasslands that could be utilized, and 76.61 million hectares of land that could be used for cultivating forests, and 490,000 hectares of sea areas that could be used for aquatic industries. However, because of the late start in comprehensive agricultural exploration and insufficient investment, we have succeeded in building only some key projects in a small number of localities. Refining processing industries for agricultural and farm sideline products are not yet fully developed, and labor resources remain far from being fully tapped. It is far from being enough to resolving these contradictions simply by grasping only crop-farming, particularly grain production. We must

broaden our vision and widen various channels and make efforts to enhance the comprehensive production capacity of agriculture.

Only by enhancing the comprehensive production capacity of agriculture can we satisfy society's growing demand for farm products. With the development of the economy and the improvement of people's living standard, demand for farm products is incessantly growing and the structure of demand is incessantly changing. Viewed from changes in people's diets, food structure and the structure of demands for agriculture will change notably. Direct demand for grain will continue to drop, while demand for meat, eggs, milk, fruits, and vegetables will incessantly increase. Viewed from the needs of production, with the gradual development of the processing industries for farm products, demand for farm products to be used as raw materials are growing in both variety and quantity. These demands require constant efforts to enhance the comprehensive production capacity of agriculture and increase the output and variety of farm products.

Enhancing the comprehensive production capacity of agriculture is the inevitable approach to guiding the peasants to take the road to becoming comparatively well-off. With the population growth and the increase of labor productivity, rural surplus labor power and surplus labor hours are increasing. If they are fully utilized, this will not only result in a great waste but also cause serious social problems. The key to solving the problem is to comprehensively develop the rural economy so production will develop in intensity and in scope and the level of comprehensive production capacity of agriculture will be raised. The general goal for agriculture and rural work in the 1990's is to change the living standards of the vast numbers of peasants from having enough to eat and wear to becoming comparatively well-off on the basis of comprehensive development of the rural economy. To realize the goal, we must take the road to diversified management, overall development, comprehensive improvement, growing output, and growing income and must increase overall output capacity and enhance efficiency.

II. Major Tasks in Enhancing Comprehensive Production Capacity of Agriculture

In view of the reality of agricultural development in the country, to enhance the comprehensive production capacity of agriculture, we should firmly grasp the following aspects:

First, we should constantly raise the level of agricultural technology and equipment and the level of investment. The growth in the comprehensive production capacity of agriculture is inseparable from the rise of the level of agricultural technology and equipment and the level of investment. Let us look at Jilin and compare the situation there in 1990 with that in 1978 when reform was not yet started. In 1990, the number of farm tractors of the whole province increased by 3.8 times, the total farm

machine capacity increased by 1.6 times, the fixed assets of agricultural production increased by more than 90 percent, the acreage for improved variety of major crops increased by more than 40 percent, and the fertilizer used per mu increased by more than two times. These markedly improved agricultural production conditions and methods, and promoted the enhancement of comprehensive production capacity of agriculture. As a result, grain output of the whole province was increased first to 20 billion and then to 30 billion jin. The highest annual output already exceeded 40 billion jin. Output in other farm products have also increased by big margin. In spite of this, generally speaking, the level of technology, equipment, and investment in agriculture in our province is still far from meeting the requirements of agricultural modernization. For instance, a quarter of the farm tractors have been used for as long as over 15 years. This gap means potential. We should make efforts to tap potential to narrow the gap. We should increase input in agriculture through more channels at different levels, and strengthen the material basis for the enhancement of comprehensive production capacity of agriculture.

Second, we should continue to improve agricultural production conditions and the ability to resist natural disasters. The basic characteristic of agriculture is the intertwining of natural and economic reproduction, the production objects are animals and plants, and production depends heavily on climatic and ecological conditions, and other natural conditions. The important thing in the stable development of agriculture is to constantly improve agricultural production conditions and the ability to resist disasters. In the 1980's, progress on the whole was slow in improving basic agricultural production conditions. Water conservation work was virtually at a standstill and without proper maintenance most existing facilities were wearing down. The flow of water in major rivers was hampered and floods often occurred. The organic matters in farmland were decreasing and the fertility declined. No effective measures were taken to halt haphazard logging of forests to increase farmland and soil erosion became more serious. In many localities, the grassland deteriorated, farmland became deserts, and natural disasters frequently occurred. The impact of all these factors make China's agricultural production vulnerable to disasters and fluctuations. According to statistics, the average annual acreage of farmland struck by natural disasters throughout the country in the Seventh Five-Year Plan was 20 percent more than that of the Sixth Five-Year Plan. Therefore, in the 1990's, we should be determined to strengthen capital construction of agriculture, improve production conditions, and enhance the capacity to resist natural disasters. At present, major agricultural capital construction should be water conservation, soil improvement, and ecological improvement, with the focus on water conservation. Agriculture can be stable only if water conservation projects are built. We should concentrate efforts on building more high-yielding fields to obtain stable and high grain output. In addition, efforts should also be

made to improve soil and ecological conditions, use more organic fertilizer, and grow more trees and fertilizers, and plant trees and grass in order to gradually improve soil conditions and the ecological environment.

Third, we should constantly expand production in depth and scope. Our country is not rich in natural resources and per capita agricultural resources, arable land in particular, is not much. Besides, because of the development of various undertakings and the constant population growth, per capita natural resources will continue to decrease. This basic national condition has determined that the development of agriculture, grain production in particular, must rely on tapping the potential to increase output of the existing farmland. We should depend on science and technology, strengthen intensive farming, increase land output, and gradually form a high-yielding, good-quality, and low-consumption agricultural production system. Judging from the existing situation of agriculture, the potential for development in depth is very great. In farming, more than half of the cultivated land in the country is medium- and low-yielding land with great potential for higher output. Considerable potential can still be tapped even existing high-yielding areas. In breeding industry, the yield of livestock products per unit area and of fodders are still rather low as compared with world advanced levels, and potential for higher output are great. At present, major efforts should be devoted to cultivating and popularizing good species and quicken the pace of upgrading fine species. This is the key to raising per unit area output. Good species play a very significant role in increasing output, and usually can raise output by 10 to 20 percent without changes in other essential productive factors. During more than a decade of reform, the fine grain species in Jilin Province have been upgraded thrice, and each time grain output was greatly increased. In addition, major efforts should be made to popularizing related high-output cultivation and breeding techniques. This is the effective approach to raising per unit area output. On the basis of summing up experiences, we should further raise our level and constantly expand the scope of popularization.

To develop agricultural production, we should not confine ourselves to problems of cultivated land but should widen our vision and focus our attention to the utilization of the whole national land resources. While tapping the potential of existing cultivated land, we should try to rationally utilize to the full all agricultural and manpower resources that can be utilized. Although short of arable land, our country is rich in other agricultural resources that are yet to be developed and utilized, and the potential is considerable. In addition, huge quantities of farm by-products such as straw, nut shells, slabs, twigs, and leftover bits and pieces of various agricultural products are left unused or even abandoned. Most of them are not fully utilized and this results in great waste. Effective utilization of these resources will help provide more farm products and push agricultural production up to a new level. It will also help create more jobs for the rural population. By growing rice in improved saline-alkali soil, tobacco in poor soil, and wheat on river banks

to retain the soil, and raise fish in waste swamps and ponds. Daan City in Jilin has been able to reclaim 160,000 mu of unused land, increase the county's cultivated areas by 12 percent, and greatly boost agricultural development. The practice in Daan County proves that enlarging the scope of agricultural production holds great promise.

Fourth, we should greatly raise the level of organization in agriculture. Comprehensive production capacity is itself a unified and comprehensive body. With the same quality and quantity of productive essential factors, different comprehensive production capacity can be formed. A highly developed agricultural organization system can increase production capacity by improving organization of productive essential factors to the best advantage and can also pool up scattered and unused productive essential factors to form new productive forces. Therefore, to enhance the comprehensive production capacity of agriculture it is necessary to constantly increase the quantity and improve the quality of the productive essential factors, to attach importance to the role of organization and management, and to actively promote the growth of the agricultural organization system.

At present, the major form of agricultural production organization of China is the contract responsibility system on a household basis with remuneration linked to output. This form of organization is suitable for the current level of rural productive forces, and its stability should be maintained. However, with the development of the commodity economy, the contradiction between small-scale production and the further development of the rural commodity economy will emerge. The solution to the problem is to establish and perfect the management system in rural areas in which unified management is combined with separate management, and to develop rural collectivized social services. Separate independent peasant households should be united through developing various types of cooperative economy. Where conditions are ripe, management on an appropriate scale should be practiced. At the same time, active efforts should be made to develop regional markets to enable all regions to relatively concentrate their advantages in resources on the markets through their products to form a commodity current and information current and to enable a rational flow of funds, capable personnel, and technology. This will lead to an optimum setup of the productive essential factors over a vast area and will enhance the comprehensive production capacity of agriculture.

III. We Must Comprehensively Implement Party's Rural Policies in Order To Enhance Comprehensive Production Capacity of Agriculture

Stabilize and perfect the party's various rural policies. The series of general and specific basic rural policies with the contract responsibility system on a household basis with remuneration linked to output as the dominant aspect after the start of reform and opening up are suitable to rural realities and has played a significant role in pushing

rural development and the development of agriculture and enhancing the comprehensive production capacity of agriculture. These policies should remain stable. Some cadres and people still worry that the policies may change. If they have some misunderstanding on gradually developing collective economic strength to achieve common prosperity, and on stepping up management of individual and private economies, we should, through propagating the "decision" made at the Eighth Plenary Session of the 13th CPC Central Committee, make known to the peasants that past wrong practices of "equalitarianism and indiscriminate transfer of resources" and "everything going to the collective" will not be repeated in developing and strengthening the collective economy and that the goal is reached not by weakening household management, but chiefly by developing diversified management and production of a pioneering nature, by establishing various service entities, and by setting up collective enterprises. In addition, we should educate the peasants to see that imperfections still exist in agricultural production relations in the country, and that they should be perfected by the deepening of reforms. The focus at present is to perfect the management system in which unified management is combined with separate management, enhance collectivized unified services, and help solve problems which cannot be solved by one or two households alone. Where conditions are ripe, we should, through collectivized services, gradually unite separate household management into economy organizations on a relatively larger scale. This will inject new vigor into household management, and organically combine the enthusiasm of household management with the advantages of unified management to promote the stable development of agriculture and the enhancement of productive forces. This will be conducive to the further development of rural economy, and will help peasants become rich more quickly, and is in the interest of the vast numbers of peasants.

Strengthen the building of infrastructure for the flow of commodities and try all means to enliven the circulation of farm products. The lack of sufficient circulation channels for farm products has severely restricted the development of agricultural production. With a poor sense on commodity and competition on the part of cadres, sales are not properly promoted, and markets are underdeveloped. Most of the existing circulation facilities for farm products are those designed and set up for the planned economy. Both their capacity and layout structure fail to meet the requirements for new development. Changes in economic structure and in enterprise mechanism are still going on, relations in many aspects are not yet rationalized, and enthusiasm is not fully aroused.

Therefore, we should attach importance to building complete and modernized infrastructure for distribution, further deepen reforms in the circulation structure and try all possible means to enliven the circulation of farm products. On one hand, we should improve and widen the circulation channels. While giving full play to

the role of state commerce and supply and marketing cooperatives as main channels, we should quicken the building of diversified circulation channels, allow and organize peasants to participate in circulation, and protect their legitimate management activities and their legitimate rights and interests. On the other hand, we should enthusiastically develop diversified markets for farm products. While continuing to strengthen wholesale and specialized markets, we should quicken the building of futures markets, and gradually develop futures trade in major farm products to create a multilevel, multifunction, and networked market system.

Devote efforts to improve peasants' cultural and scientific level and promote further combination of science and technology with agriculture. To enhance the comprehensive production capacity of agriculture, we need to put in enormous material input as well as to train peasants to acquire good cultural, scientific, management knowledge. At present, the overall quality of peasants in China is rather low. Illiterate and semi-illiterate people still account for a considerable percentage of rural laborers. Some peasants cannot understand or use advanced techniques to increase output. Many peasants are capable of doing only simple farm work, and have no knowledge of other techniques. They have no idea how to manage their businesses or how to develop production. Large numbers of rural laborers cannot be transferred to other sectors. All these have severely restricted the enhancement of comprehensive production capacity of agriculture. So, we should regard the improvement of peasants' quality as an important link in the enhancement of comprehensive production capacity of agriculture. We should be willing to spend money and make efforts in this respect and organize peasants to acquire cultural and technological knowledge through different ways. We should actively develop agricultural education. In the future, both higher learning institutes and technical secondary schools of agriculture should mainly enroll rural students, and send them back to their place of origin after they graduate. We should also make efforts to develop agricultural vocational secondary schools and agricultural technical education for adults, and should give lectures inside classrooms and give guidance in practice in the fields. This is an effective way to solve the problem of shortage of qualified personnel in rural areas at present.

To enhance comprehensive production capacity of agriculture, we should attach great importance to science and technology. We should continue stepping up scientific research in agriculture, and devote major efforts to research in application of technologies and development. We should also pay attention to basic research to build up more strength for the development of agriculture, and enable increasingly more results of science and technological research to be used for agriculture. We should deepen reforms of the scientific and technological management system, quicken the pace in popularizing science and technology, make great efforts to implement the strategy of "invigorating agriculture by relying on

science and technology," and make overall planning for agriculture, scientific, and education. We should also actively explore new approaches to turn scientific and technological results into commodities, and develop markets for agricultural technologies so as to transform scientific and technological results into real productive forces as quickly as possible. We should try to establish at an earlier date a scientific and technological management system and operation mechanism which are full of vigor and are conducive to progress of science and technology, and to the combination of science and technology with agriculture. We should encourage scientific and technological personnels to penetrate deep into the grassroots to integrate themselves with the practise of agricultural production and consciously serve the development of agriculture.

Continue to readjust and optimize rural production structure. The readjustment of rural production structure is important to the enhancement of the comprehensive production capacity of agriculture. The comprehensive production capacity of agriculture consists of the comprehensive production capacities of various sectors including agriculture, forestry, animal husbandry, sideline production, and fishery, and whether or not relations between various sectors are coordinated and whether or not their structures are rational will have an impact on the enhancement of the comprehensive production capacity. In the past ten years, the rural production structure has undergone significant changes, and the rural economy has gradually turned from crop-farming alone to overall development and comprehensive management. This has played an important role in the rational utilization of agricultural resources and the enhancement of comprehensive production capacity of agriculture. From now on, whether in accomplishing the agricultural development tasks of the 1990's or striving to reach the level of comparatively well-off, we should still make great efforts to readjust and optimize rural production structure. We should actively develop diversified undertakings on the basis of stabilizing the development of grain production. Grain is an important product crucial to the national economy and the people's livelihood, and the readjustment of rural production structure should not weaken grain production. As diversified undertakings are important sources of income for the peasants, their development should be market-oriented, economic results should be put in the most important position, production should be developed to a considerable scale, and rash mass action and great fluctuation in development should be avoided.

The development of township and town enterprises is the inevitable requirement of rural industrialization. The development of agriculture, the enhancement of comprehensive production capacity of agriculture, and the readjustment of rural production structure in China cannot do without the development of township and town enterprises. These enterprises not only can accumulate funds for agricultural development to alleviate the shortage of agricultural funds, but also can create

jobs for rural surplus laborers, alleviate rural unemployment pressure, and raise productivity. Township and town enterprises in our country have already had a relatively good foundation. From now on, to meet the needs of the development of the socialist commodity economy and the needs of modernization, we should continue to develop township and town enterprises, and strive to raise their level. We should gradually change from stressing extensive development alone to simultaneous extensive and intensive development, from stressing output value and quality to stressing economic results and quality, and from a scattering layout to relative concentration in small groups. Regarding the direction of development, the focus should be on properly matching them with two things: first, to match with the development of major industries by sharing out the work and cooperate with one another; and second, to match with the development of agriculture and take agriculture as their foothold by making great efforts to develop processing industries for farm products to raise the overall output capacity and efficiency of rural economy.

Shanghai Vegetable Price Reform Update

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[Article by Tu Youfu (1458 0645 1381) and Gao Jianan (7559 1696 1344) of the Shanghai Municipal Institute for Commodity Prices' Study Group: "The Aftermath of Vegetable Price Decontrol and Some Suggestions"]

[Text] In November 1991, Shanghai introduced a major policy to thoroughly restructure the vegetable production and marketing system and decontrol vegetable prices. After several months, what positive impact has it produced? What problems has it caused? Has it reached the goals set down in the municipal government's Document No. 52? How well did the vegetable supply hold up in the first Spring Festival after the decontrol? We brought these questions to the Municipal Vegetable Company and held an informal discussion with representatives from the production, wholesale, and retail sectors.

I. Basic Situation After the Decontrol of Vegetable Prices

1. There is ample supply of vegetables, with some increase in varieties as well. Overall market supply and demand is balanced, and prices basically are stable. Quality has improved, and the quantity of resale to the government has decreased. In November 1991, 58,500 tons of perennial vegetables were brought to the suburban markets, an increase of 12.5 percent compared to the 52,000 tons available in October. In December, supply rose to 60,000 tons, a slight increase compared to November. Compared to the same period a year ago, the supply of perennial vegetables in November and December fell by 64,000 tons, or 35.1 percent. Vegetable supply in the suburbs in January 1992 remained more or

less the same as in the same period a year ago. In November 1991, the supply consisted of 73 varieties (vegetables marketed in the suburban counties also included flowers), 7 more than the 66 varieties available the year before. In December, 63 varieties were available, 1 less than in the same period a year ago. After decontrol, prices remained stable while showing a slight decrease. In November, most varieties retailed at 0.40-0.60 yuan per kilo. The supply of some varieties such as flowers increased 4.7 times compared to a year ago and leaf mustard increased 1.25 times, and as a result, there was excess supply and prices fell fairly sharply, by 61.4 percent and 81.4 percent respectively. At the same time, there was significant improvement in quality. In November and December 1991, 21,800 tons were resold to the wholesalers, a decrease of 35,300 tons, or 61.8 percent, compared to 57,100 tons in the same period a year before. Tough and yellowed vegetables were never brought to the market.

2. There was ample supply of vegetables during the Spring Festival, and although prices generally moved up and quality went down a little, the citizens did not complain. This year, 9,000 tons of vegetables were targeted for the Spring Festival market; actual supply came to 9,700 tons, and 54 varieties were available. No major food market reported that they ran out. Around the Spring Festival, because of lagging effects of earlier disasters which had cut production by 30 percent, prices were generally higher and quality lower compared to the same period a year ago. Because there was ample supply of Chinese cabbage, regular cabbage, leaf mustard, and flowers, there was no significant increase in their prices. But the price of Chinese green, celery, spinach, and taro rose substantially. Meanwhile, during the Spring Festival, some expensive varieties, such as chili pepper, which had to be brought in from other regions, were sold at between 4.00-4.50 yuan, and winter bamboo shoots were priced at around 3.00 yuan. The price of cucumbers and mushrooms also went up.

3. The decontrol of vegetable prices has given impetus to reform at the wholesale and retail levels. First, the method of transaction has changed. All transactions are now patterned after the exchange market, and a 6 percent service fee is charged. Market quotations are posted regularly everyday and hours of transaction have been extended. The Jiangqiao Foodstuffs Exchange Market has adopted a "three member" negotiated price. The exchange market price negotiator, the Rural Agricultural Company's information officer, and the food market purchasing agent make up the "three member" price negotiating team to guarantee order in the exchange market and allow the state-run wholesale department to participate and fulfill their management function. Decontrol of vegetable prices has also given impetus to contract management of the food markets. There are now group contracts and individual contracts which set fixed quotas and require delivery to the food markets at fixed rates. The shopkeepers are enthusiastic

Changmin Eastern Beach's land-reclamation project, aimed at readjusting water supply and improving low-and medium-yielding farmland, was under way.

Industrial interior was further restructured. In 1991, 14 major industrial bureaus (companies) developed more than 12,000 new products. Production of a number of goods that are high energy-consuming are unsaleable, or cause serious pollution has been either reduced or stopped totally. Some 88 enterprises were instructed to close down, suspend production, merge with other enterprises, or convert to other lines of trade.

Exports product mix improved. Heavy industrial products rose to 27.3 percent of total exports from 23.9 percent in 1990. Production network of several high-quality exports products that earn more than \$30 million of foreign exchange was gradually set up. Trade in processing imported materials developed quickly, rising to 51.7 percent of total exports value in 1991 from 46.9 percent in 1990.

(3) Development of Pudong Entered the Essential Starting Phase, and Contacts With the Outside World Further Expanded

The development of Pudong unfolded on all sides, centering on the five areas of infrastructure, land development, finance, industry and real estate. Construction of the 10 major projects, including Yangpu Bridge, began one after the other, and 20 Chinese and foreign financial institutions enjoying preferential treatment in the new Pudong district opened for business. The three key development zones of Waigaoqiao, Jingqiao, and Lujiazui completed the first phase of acquiring 9.51 square km of land and the formalities for leasing them. Investments by 161 enterprises from various localities worth 160 million yuan and direct investments by 90 foreign enterprises worth \$92 million were approved. Agreements to construct 10 high-rise buildings were signed, and efforts to relocate the bases have gradually begun. The utilization of foreign capital in Shanghai reached a new height, and 165 direct investments by foreign businessmen were approved last year. The value of these agreements totaled \$450 million, up 20.1 percent from a year ago. The introduction of technology continued to gain momentum. The municipality received 981,800 visitors from abroad, up 9.9 percent from last year, and foreign exchange earned from tourism increased by 37.9 percent.

(4) Various Reforms Were Steadily Introduced, and Their Progress Was Smooth

While insisting on doing a good job in economic construction, the municipality in 1991 intensified its efforts in reform. Reform of the housing system was unfolded on all sides. Contribution to the collective reserve fund for the whole year was 425 million yuan, and the total amount of debenture issued was 28 million yuan, paving the way for more housing to be constructed quickly. Price reform was conducted according to the central planning of the State Council, and the price of some

capital goods and staple and nonstaple foodstuff were adjusted. The living allowance for urban residents was raised accordingly. In addition, coupons for six commodities like cigarettes, matches, and sewing machines were abolished. The foreign trade departments actively promoted the new system based chiefly on answering for one's profit and loss, and this helped correct the mix of export products and improve efficiency during operation. In enterprise reform, 113 state industrial enterprises in Shanghai last year undertook four types of experimentation. Reform of the financial system was further deepened. Earnest and beneficial exploration was carried out to experiment with reform of the medical service and social security systems.

(5) Scientific and Technological Work Made Important Progress, and Various Social Services Continued To Expand

In the past year, Shanghai scored 2,588 important technological achievements, of which 1,045 attained and approached advanced international standards. Considerable progress was made in the integration of technology with production. The technology market further developed, and 25,000 technical contracts of various kinds were signed during the year. Inputs into education continued to increase, and outlays for education by local authorities rose 12.8 percent. Hospitals, especially the conditions of medical service at district level and below, commonly improved. The hospital and medical insurance scheme for secondary and primary school students as well as children was implemented. The rate of acute infectious disease was brought under control to the lowest level in history.

(6) The Livelihood of People Continued To Improve

The total wages of workers in Shanghai in 1991 was 16,655 billion yuan, up 13.5 percent from a year ago. After making allowance for the rise in cost of living expenses, the actual wages of workers rose 2.9 percent. The annual per capita income of peasants was 1,880 yuan. After making allowance for the rise in expenditures for goods, actual income rose 3.7 percent. The savings of urban and rural residents continued to rise sharply. By the end of the year, the total savings of residents in Shanghai increased by 7,606 billion yuan, up 30.2 percent from the previous year. In addition, 4,685,600 square meters of new housing was built in the urban areas, and the per capita living space of urban residents reached 6.7 square meters.

Fellow deputies, the complete fulfillment of various tasks outlined in the 1991 Shanghai National Economic and Social Development Plan resulted from concerted joint efforts by people throughout the municipality in earnestly implementing the guidelines of the 11th and 12th sessions of the Fifth Shanghai Municipal Party Committee and the fourth session of the Ninth Shanghai Municipal People's Congress. In reviewing the past, we must keep in mind that there are still many contradictions and problems in implementing the plan. These

contradictions and problems are mainly reflected in the following areas. 1) Our economic performance was unsatisfactory because it failed to keep pace with the economic growth rate. Financial revenues, in particular, grew at a much slower rate than production. 2) Massive recent reconstruction of roads and transport facilities compounded downtown traffic congestion and caused the people many inconveniences. 3) Industrial restructuring failed to keep pace with changes in market demand. Shanghai-made products continued to face stiff challenges from other competitive products. 4) Large-scale construction of municipal infrastructural projects produced structural contradictions in the process of obtaining construction funds. Funds were raised through channels that were incompatible with the means employed to obtain them.

II. The Principles for Drafting the 1992 Plan and Main Tasks

A new high tide of reform and openness is currently sweeping through our country. Because it is at the forefront of the nationwide drive of reform and openness during the 1990's, Shanghai must gain a clear understanding of the prevailing situation, capitalize on opportunities, take bold and practical actions, and work hard to achieve new results in economic development. For this reason, Shanghai must meet the following general demands in its economic work in 1992: steadfastly implementing the party's basic line, pursuing the program of reform and openness with the aim of carrying out economic construction, improving large- and medium-scale state enterprises, and developing Pudong, and accelerating economic development and stimulating overall economic and social development while actively restructuring the industrial sector and improving economic performance. To achieve these goals, Shanghai must observe the following principles:

- Advancing the program of reform and openness and accelerating the development of Pudong. While maintaining overall stability, Shanghai should emancipate its mind further, take bolder and faster actions, and expand and intensify its reform efforts. This year's enterprise reform is mainly designed to deepen and expand reform by showing respect for the innovative spirit of enterprises and by allowing enterprises to implement various self-funded reform programs. By taking reliable and effective measures, we should carry out pricing reform boldly and maintain the momentum in this respect. Reform of the social security system is this year's principal task. This year, we should gradually implement plans to set up insurance programs for job seekers, elderly people, and health care services. Financial reform consists mainly of the issuance of stocks and bonds. We should constantly search for new ways and means of funding.

In developing Pudong, we should capitalize on favorable opportunities and quicken the pace of reform and openness. This year, we should institute a management system for the New Pudong District and vigorously

promote the construction of infrastructural projects and the development of major subdistricts.

- We should give priority to restructuring the industrial sector and to improving efficiency. We should earnestly implement plans for industrial restructuring, adopt various measures in this connection, further intensify the construction of agricultural and water conservancy projects, go all out to develop the tertiary industry, accelerate the renovation of traditional industries, lend active support to key industrial sectors, and work hard to improve Shanghai's overall economic performance. We should improve overall product quality, achieve better results in most performance-indexed categories, and try to eliminate poor economic performance by 1993 in state-run industrial enterprises covered by local budgets.

- We should fully exert the technological superiority of Shanghai, actively develop high technology, seriously implement the idea that science and technology are the primary productive force, promote technological progress, press ahead to industrialize high and new technology, and make them the new impetus to drive the economic development of Shanghai.

- We should focus our energy and truly handle well the three issues of traffic, housing and coal fuel, and the "food basket." In compliance with the goal to achieve initiative results within three years, fundamental improvement within five and total change within 10, we must keep a firm grasp on a group of key projects in the next two years, see that they are completed on time, and ensure that they produce results.

- We should continue to promote coordination in economic and social development and progress on every front and vigorously strengthen the building of a spiritual civilization. We should further develop education, culture, health service, and sports. We should improve the people's livelihood and strictly control population growth.

The main tasks in the 1992 plan are:

(I) To Accelerate Development and Enhance General Economic Strength

To comply with the demand to quadruple the 1980 GNP by the year 2000, it is imperative to maintain a firm grasp on the current opportunity for economic development, fully exert the general economic superiority of Shanghai, strive to develop the economy of Shanghai at a faster pace, and plan for Shanghai's GNP to grow at 7 percent. Based on the policy to "steadily improve the primary industry, actively correct the secondary industry, and vigorously develop the tertiary industry," it is necessary to gradually adjust Shanghai's industrial structure according to strategy instead of adaptability and ensure that the tertiary industry grows by over 8 percent during the year.

(2) To Further Develop and Strengthen Agriculture, and Promote the Revitalization of Agriculture With Technology and Education.

We must seriously implement all the rural economic policies of the state and localities, refine the supplementary reform measures, continue to stabilize and perfect the contracted household responsibility system with remuneration linked to output as well as the dual-level management system, and accelerate the transformation of Shanghai's agriculture into a suburban and modern one. The principles for planning this year's agricultural production are: basic stability, appropriate adjustment, rational planning, improved quality, and promoting the sustained, stable, and coordinated growth of agricultural and sideline production. Under the premise of stable grain production, we should appropriately increase the production of cash crops and improve the overall economic returns from cultivation. We should properly increase the production of live hogs, eggs, and milk for market stabilization. We plan to produce 2,151,500 tons of grain, 9,800 tons of cotton, and 160,000 tons of rapeseed.

We must strengthen efforts to boost agriculture with technology and education as well as adequately increase investment for water conservancy infrastructure. This year, we have planned 12 projects to tackle key technical problems that will yield quick and effective results and will selectively promote 11 technological achievements. We will continue the "harvest program" and prepare a group of high- and steady-yield farmlands. In addition, we must strengthen the management of water conservancy facilities and "food basket" bases.

(3) To Continue To Correct the Investment Structure, and Focus Our Energy To Accelerate the Construction of Urban Infrastructure

This year, we must work hard to correct the investment structure and improve returns from municipal fixed asset investment. We should continue to execute the policy for assuring the construction of important projects, integrate the adjustment of industrial structure with the development of New Pudong District, and focus our planning on roads, traffic, coal fuel, housing, farmland water conservancy facilities, and projects closely connected to the people's livelihood. The total investment for local fixed asset investment for the entire year is between 22 and 24 billion yuan, of which 7.5 billion yuan is for infrastructure and 10 billion yuan for technical upgrading.

The number of municipal fixed asset investment projects for the entire year is 40, and they are worth 5.74 billion yuan. The widening of Yanggao Road is listed as the number-one project, and the second phase of the Wusong Road-Gate Bridge project and the renovation of roads in the Waigaoqiao area is number two. They should be completed and opened to traffic by the National Day holiday. Local plans for investment in the New Pudong District amounted to 8 billion yuan, of which 3.3-3.4 billion yuan is set aside for infrastructure. Plans are

drafted to build 15.69 million square meters of new housing. Construction of 500 million square meters is under way, and the investment is 3.95 billion yuan. Housing construction must be combined with the renovation of old neighborhoods, and planning should be unified and based chiefly on them. We should accelerate the pace to renovate dilapidated houses and shacks, earnestly improve the living conditions of residents, and settle the issue of impoverished households with less than 2.5 square meters of living space per person as at the end of 1990 by the end of this year. In addition, we should plan and start the construction of some public works and telephone facilities to further improve the living conditions of residents.

(4) To Quicken the Construction of Pudong So As To Create Strong Momentum in This Respect

This year, the development of Pudong will focus on the following aspects: 1) We will complete the study, formulation, and approval of a new management system for Pudong as a way of preparing for substituting the old system with a new one. 2) We will further negotiations on a number of major projects while expediting the association of small and medium-scale enterprises through joint investment. 3) We will revise and approve the New Pudong District's plan for social and economic development as well as its general program. 4) We will advance all aspects of construction work on major infrastructural projects according to plan, in addition to carrying out the Yanggao Road widening project and building a new wharf in the Waigaoqiao harbor area by the end of this year. 5) We will aim for significant progress in the initial stage of development of the four subdistricts. The Lujiazui Financial and Commercial District will be developed according to a layout in which the district "runs parallel to the Huangpu Jiang and is crisscrossed by roads." We will start work on a number of financial and commercial buildings and launch the first-stage of a project for a major highway along the Huangpu Jiang. We will complete the construction of essential municipal facilities in the Jinqiao Export Processing Zone, including standard factory buildings totaling 30,000 square meters [sq m] and initial projects for a number of industrial ventures. We will establish a management committee for the Waigaoqiao Bonded Zone, create a free trade operating mechanism in the zone, and construct half of the buildings totaling 200,000 sq m. We will also complete the construction of development companies and requisition land in the Zhangjiang High-Technology Park.

(5) To Utilize More Foreign Capital In Order To Enhance Economic Relations With Foreign Countries.

We should capitalize on the favorable opportunities arising from the development of Pudong and delegate more power to enterprises with the aim of doubling the number of direct foreign investment projects and the amount of capital this year. We should make full use of the preferential policies for Pudong and actively open up new avenues for using foreign capital in banking, the

retail business, and the service industry while grafting old enterprises onto new ones through joint investment. We should transfer more land-use rights in a planned and systematic manner, encourage foreign businessmen to invest in real estate, and use foreign capital in running experiments on rebuilding old districts. We should further improve our services and efficiency, make constant efforts to create a better investment climate, and generally improve the utilization of foreign capital.

We should further deepen reform of the foreign trading system and search for new ways of industrializing, internationalizing, and diversifying the operations of foreign trade. While systematically expanding the autonomy of a number of large and medium-sized production-oriented enterprises to engage in export and import business, we should gradually form a group of joint commercial and industrial (or joint agricultural and technological) enterprise groups—primarily foreign trade and large enterprise groups—in accordance with the principles of mutual benefit and cooperation and on the basis of using economic links to actively push the integration of trade with industry, agriculture, and technology as well as the integration of various localities. We should continue to readjust the export product mix, enthusiastically open up diverse international markets, vigorously develop transnational companies, and redouble our efforts to set up and operate overseas enterprises. We should ensure that this year's growth rate in exports will be higher than that in the gross municipal product.

(6) To Continue Efforts To Stimulate the Domestic Market While Controlling Commodity Prices and Ensuring the People's Livelihood

This year's commercial activities will highlight efforts to continue in-depth reform of the wholesale network in keeping with the need for distributing commodities extensively and establishing large markets. The reform is aimed at creating diverse wholesale markets at various social strata. We will enliven large- and medium-scale state commercial enterprises, build and renovate key commercial facilities, improve the quality of service, strive to open up new markets, and expand commodity sales. Compared to last year, this year's total retail sales volume will rise 13 percent to reach 45.4 billion yuan.

We will maintain the guiding thought of "keeping prices stable in the course of stimulating the economy," maintain the composite price index under effective control in accordance with state plans, and make keen efforts to adjust and straighten out conspicuously irrational prices. We will keep the annual growth rate of retail prices at around nine percent. With due consideration to the needs for developing production and improving economic performance, we plan to ensure that the actual average wages of workers and staff members throughout the municipality will be higher than their living expenses by 3 percentage points.

(7) To Make Efforts To Improve the Economic Performance of Industrial Enterprises in all Respects While Restructuring the Industrial Sector

This year's industrial production will focus on developing markets, promoting technological progress, readjusting the product mix, and improving the economic performance of enterprises. The principal goals include a 10-percent increase in the sales receipts of industrial enterprises from last year, a moderate increase in profits and taxes, and an eight-percent rise in the value of 100 types of export commodities delivered by and allocated to various enterprises. Also targeted are a 10-percent increase in foreign exchange receipts earned from exports of machinery and electronic goods or from products exported by industrial enterprises that carry out independent export business, as well as a reduction in the number of unprofitable enterprises and in the amount of losses from last year.

All enterprises will conscientiously tailor their products to market demand, keep track of changes in the domestic and international markets, actively adopt new technology, accelerate the process of upgrading and renewing their products, accelerate the development of new products, and vigorously increase the production of goods that are targeted for priority development as well as major export commodities. They will further enhance their marketing concepts, determine and increase production in accordance with sales records, and take strong measures to maintain the quality of major commodities, export products, manufactured goods produced in suburban counties, and products for servicing key construction projects. They will continue to reduce their stockpiles, shatter the "debt chain," turn deficits to profits, conserve energy, reduce consumption of resources, and improve the economic performance of enterprises in all areas.

We will accelerate the strategic restructuring of industry and promote the application of new and high technology in all production sectors. All new and high technology enterprises included in government plans may appropriate three percent of their annual sales proceeds as technology development funds. We will adopt special preferential policies toward individual key projects designed to industrialize new and high technology. Operating on an annual basis, we will recover working capital from industrial sectors that are subject to restrictions and industries that persistently make little or no investment in upgrading their operations. We also will encourage industrial enterprises in downtown areas to shift to the tertiary industry.

(8) To Make Keen Efforts To Increase Revenues and Reduce Expenditures as a Way of Increasing Financial Revenues

We will go all out to increase production and revenues, ensure the delivery of revenues to central government coffers, and increase local construction funds. Moreover, we will promote diligence and thrift, strictly control expenditures, work hard to improve returns on the use of

funds, and rein in the budget deficit. This year's local financial revenues will total 18.38 billion yuan according to state projections, or 16.5 billion yuan in terms of 1991 figures.

(9) To Bring the Advantages of Shanghai Into Full Play for Promoting its Economic Development

The overall principle in carrying out scientific and technological tasks for 1992 is to uphold science and technology as the primary productive force and to combine scientific and technological advancement with economic development. The task of turning high technology into industrial use will be stressed. New products and technology will be strongly developed along with the transformation of traditional industries, the construction of urban infrastructures, and the development of the rural economy. We will work hard to turn imported technology into our own and implement several key scientific and technological projects. The application of scientific and technological achievements will be promoted effectively, and fundamental studies and the training of scientific and technological personnel will be strengthened. We will work hard to narrow the gap separating Shanghai and the world's advanced science and technology. The emphasis of our work will be to importing advanced technology and equipment and to establishing high and new technology enterprises with the favorable conditions of Pudong's development and opening to the outside world. We will hold the municipality's fifth open bid for 100 scientific and technological projects. Based on existing achievements, we will increase our production experiments to replace product imports. We will accelerate the technological transformation of traditional industries, speed up the modification of products and upgrading of product quality, as well as study the technology of combining machinery and electronics. In agriculture, we will study the technology of biological breeding and high-yield crop cultivation, in preventing and controlling disasters in agricultural production, in nonstaple food processing, and in breeding prawns of special species and cultivating their fry. We will closely combine development of the New Pudong District in tackling key technology for constructing major urban infrastructures and for comprehensively controlling urban communications. In medical and health care work, we will study medicines that have a prolonged curing effect, in the quality control for Chinese medicine, in viral drugs, as well as in preventing and treating coronary heart disease, myocarditis, senile dementia, and bone fractures.

(10) To Promote the Development of Education, Health Care, Culture, and Sports, and To Strengthen the Socialist Spiritual Civilization

The overall demand in education is to further correct the guiding ideology for running schools. We will raise education quality, stress the goal of training successors to socialist undertakings, deepen educational reform, and

improve conditions for running schools. In general education, we will do an effective job during peak enrollment for elementary schools and ensure that schools will not be required to conduct day and evening sessions. We will work hard to place junior high school graduates and reduce the number of these students idle in society. The development of education in the New Pudong District will be strengthened. We will further improve the management system of vocational education and readjust the distribution of middle specialist schools, technical schools, and vocational schools. The number of students recruited for institutes of higher learning will basically be equal to the previous year's level. In adult education, training for key positions will be effectively conducted.

In medical and health care work, we plan to add 1,100 hospital beds and 3,000 health-care personnel for the whole year. We will implement measures to control the rate of acute infectious diseases and effectively evaluate the municipality's hospitals and earnestly raise the quality of medical services. We will ensure the smooth construction of the first phase of the Sino-American Children's Medical Center in Pudong and raise funds for constructing primary health care networks in suburban districts. We will continue to do a good job in family planning work to control the municipality's population so that the rate of natural population growth in 1992 is controlled at 2.01 percent.

In cultural and sports undertakings, we will continue to develop mass sporting activities, strengthen the building of professional teams, raise the competition level in sports, and improve the Meilong Sports Technology Institute's training bases. We will work hard for good results in sport meets domestically and internationally. Meanwhile, we will do an effective job in constructing large-scale cultural facilities such as the 450-meter television tower. We will speed up the construction of Shanghai's new library project and make early preparations for the new Shanghai museum.

III. Push Forward Reforms of Planned Systems, Improve Overall Balance, and Further Improve Macroeconomic Control

To ensure that we accomplish tasks planned for 1992, economic management departments at all levels should take the initiative to transform their functions, actively push forward reforms of planned systems, gradually study, under a new situation, ways to build new operating mechanisms and work systems to accomplish tasks concerning planned systems and overall balance, further improve overall balance, and improve macroeconomic control.

(1) Deepen reforms of the investment system and further improve macrocontrol over the investment sector

First, as soon as possible we should build a Shanghai municipal construction investment corporation. Second, we should further extend and delegate authority to lower levels to examine and approve projects. Districts, counties, and local bureaus should be given the authority to

examine and approve feasibility studies on non-production-related projects involving less than 15 million yuan, and production-related projects involving less than 30 million yuan, as well as foreign-invested projects which involve less than \$5 million and which suit the industrial policies; relevant municipal departments should effectively carry out such service-related tasks as those concerning information and training. Third, it is essential to build a supply center for construction projects in Shanghai Municipality. The center will coordinate efforts to supply project plans with investment capital of more than 10 million yuan, or projects requiring less than 10 million yuan in investment capital but affecting the overall situation. We should also focus on preparation work for major projects.

(2) Improve balance, control, and regulation of funds

First, it is essential to carry out compound budgeting and to establish a sound channel at the municipal level to supply construction funds. We should also combine efforts to readjust the industrial mix with efforts to construct key projects, should promote trial efforts to carry out share holding system in enterprises, and should find new ways to collect funds. Second, it is essential to be basically rational—in terms of proportions—while allocating funds, we should give appropriate priorities to the agricultural sector, infrastructure, new and high technologies, and the tertiary industry. Third, we should effectively and fully utilize funds allocated by central authorities for the implementation of the policy on Pudong development. We have made necessary arrangements for the 500-million-yuan funds for the Pudong development treasury bonds, the 300-million-yuan financial allocation from the state, and the 300-million-yuan loan for technological upgrading in Pudong. In addition to making the above arrangements, we should also focus on effective efforts to borrow and use \$300 million in foreign exchange loans from the state, and support efforts to construct the infrastructure in Pudong. Fourth, we should effectively coordinate and balance funds from all of society, lend support to key projects and enterprises, and promote efforts to restructure product mix and the industry. Fifth, we should improve macrocontrol over construction funds, set up a mechanism to promote healthy cycles in efforts to "borrow, utilize, and repay" construction funds, and explore ways to build a new mechanism to repay debts through various methods such as "using the industry to promote industrial growth and using policies to collect funds."

(3) We will promote reform in the planning for goods and materials supply

The following are the emphases of this year's work in goods and materials supply. First, the principle of operations will be readjusted and the circulation of goods and materials will be invigorated. We will allow supply and marketing enterprises of all levels to also operate in other institutions, regions, provinces, and cities while doing a good job in supplying goods and materials for the

municipality. Second, we will open our doors and welcome all central departments (companies), all brother provinces and cities, large-sized enterprise groups, and large-sized industrial and mining enterprises to open all types of goods and materials companies in Shanghai. Third, we will establish a large-scale national trading market for goods and materials. We will speed up the task of establishing an exchange in non-ferrous metals and will gradually establish a group of exchanges of national level in production materials with the experiences gained. Meanwhile, we will actively host large-scale national trade fairs in goods and materials, and will provide good services in this respect. Fourth, we will open up the oil products market in the Pudong development region.

(4) We will reduce mandatory planning and improve its management methods as well as explore and study the methods for improving the implementation of guidance planning.

(5) We will establish a management mechanism for putting high and new technologies into industrial uses in order to boost the combination of scientific research and production more effectively, and to promote the use of high and new technologies in industries.

Currently the political and economic situations in Shanghai are very good. However, we are facing some very arduous and heavy tasks. We must definitely respond to the call of the party Central Committee and the State Council. We must further emancipate our minds, rouse our spirit, do practical work, pool the wisdom and efforts of everyone, work with one heart and one mind, and struggle to realize all of this year's plans and objectives of the municipality's national economic and social development.

Shanghai Municipal Court Work Report

OW 1005070192 Shanghai JIETIANG RIBAO in Chinese
3 May 92 p 3

[Excerpts of the Report on the Work of the Shanghai Municipal Higher People's Court delivered by Gu Nianzu, president of the Shanghai Municipal Higher People's Court, at the Fifth Session of the Ninth Shanghai Municipal People's Congress on 25 April 1992]

[Excerpts] In 1991 the courts in Shanghai, working under the guidance of the party's basic line and taking economic construction as the central task, made new achievements in conducting trials in an all-around way, maintaining social stability and protecting economic development. For 1991 they accepted a total of 81,303 cases, up 4.41 percent from the 1990 figure. Of the accepted cases, 10.26 percent were public prosecution cases. With some unsettled cases left over from previous years, they finished adjudication of a total of 81,526 cases in 1991, up 2.93 percent from the 1990 figure. The courts also handled 221,654 cases of complaints, petitions, and non-procedural written or verbal complaints. The number of unsettled cases at the end of the year

decreased by 14.27 percent, as compared with the previous year, showing a good trend of settling more cases than accepted.

1. Severely Punish Serious Crimes and Economic Crimes, Maintain Social Stability, and Protect Economic Construction

In 1991, the courts in Shanghai accepted 8,970 first instance criminal cases, a 14.49 percent decrease from the previous year. However, the number of cases of drug manufacturing, the sale and trafficking and coercing and luring of women into prostitution and sheltering them in prostitution rose quite sharply. [passage omitted] For 1991, the courts finished the adjudication of 8,927, or 99.52 percent of first instance criminal cases, and convicted 11,571 criminals. Of the convicts, 3,191 were sentenced to more than five years of fixed-term imprisonment, life imprisonment, or death (including stays of execution); 8,152 were sentenced to less than five years of fixed-term imprisonment, criminal detention, or control; 215 were exempted from criminal punishments, and 13 were announced not guilty. Of the cases, 99.06 percent were settled within the legally prescribed time period, thus upholding the principle of speedy trials and harsh verdicts. [passage omitted]

In view of the serious harm done by train robbers to public security on railroad transport, the Shanghai railroad transport intermediate court and its subordinate grass-roots-level courts continued to impose severe punishment on criminals involved in such serious crimes as murder, robbery, rape and theft on trains. During the year, the courts sentenced 1,057 such criminals, held 25 large-scale public meetings in Nanchang, Bengbu, Fuzhou and Nanjing to pronounce sentences on the criminals, and dealt a vehement blow to train robbers.

The courts in Shanghai continued speedy trials and harsh verdicts on serious economic criminals and convicted 1,859 of them. Of the convicts, 465 were sentenced to more than five years of fixed-term imprisonment, life imprisonment, or death (including suspension of execution); 1,337 were sentenced to less than five years of fixed-term imprisonment, criminal detention, or control; 54 were exempted from criminal sanction, and three were announced to be not guilty. Of the economic losses to the state and collectives, 22.236 million yuan was recovered. [passage omitted]

2. Step Up Adjudication of Economic Cases, Readjust Economic Relations, Maintain a Normal Economic Order, and Serve the Economic Construction

The courts in 1991 accepted a total of 12,325 first instance economic dispute cases, up 1.74 percent from the previous year. The cases involved disputes of over more than 740 million yuan, up 32 percent. The courts finished the adjudication of 13,310 cases, up 3.07 percent. The adjudication of economic cases played a positive role in promoting economic development [passage omitted]

Efforts were made to handle in a positive manner economic disputes involving foreigners, Hong Kong, Macao and Taiwan people, and joint ventures, cooperative enterprises, and wholly foreign-owned enterprises. In 1991, the courts accepted 81 such cases, double the number of cases accepted in 1990. The impartial adjudication protected, according to law, the legitimate rights and interests of both Chinese and foreign litigants, and provided a good legal environment for opening Shanghai wider to the outside world [passage omitted]

3. Step Up the Adjudication of Civil Cases, Protect the Legitimate Rights and Interests of Citizens and Legal Persons, and Promote the Building of the Socialist Spiritual Civilization

In 1991, the courts accepted a total of 31,153 first instance civil cases, of which divorce cases accounted for 58.17 percent and remained first in the rankings. There was a tendency toward a large increase in cases involving foreigners and Hong Kong, Macao and Taiwan people, as well as cases concerning housing, alimony, copyrights, defamation, and stock trade [passage omitted]

4. Actively and Prudently Conduct Administrative Adjudication, Protect the Legitimate Rights and Interests of Citizens and Legal Persons, and Ensure Work According to Law by State Administrative Organs

In 1991, the courts accepted 299 first-instance administrative cases, an increase of 39.07 percent over the previous year. There were more than 30 types of administrative cases involving administrative departments of more than 20 categories. In adjudicating administrative cases, the people's courts strictly adhered to the principles, rules and procedures of the Administrative Procedure Law [passage omitted]

Strict law enforcement is the fundamental demand for judicial trials to benefit economic construction. In this regard, we have specifically paid attention to the following work.

1. Improving Execution and Maintaining Dignity of the Law

The courts at all levels in Shanghai overcame the interference of local protectionism, stepped up the execution of court decisions, and made fairly big progress. During the year, they accepted 19,384 cases to carry out, an increase of 15.01 percent over the preceding year [passage omitted]

2. Enhancing Awareness of the Need To Strengthen Supervision Over Adjudication

Over the past year, we have further strengthened supervision and guidance over adjudication. During the year, the courts adjudicated 1,146 appealed cases. The original judgment was affirmed in 80.72 percent of the cases; the judgment was revised or the cases were returned for retrial in 14.22 percent of the cases, or in 1.83 percent of the total number of first-instance judgment cases; the

remaining 5.06 percent of the appealed cases were either withdrawn or handled in some other manner. [passage omitted]

3. Making Court Trials a Part of the Comprehensive Efforts To Improve Public Order

Over the past year, the courts at all levels in Shanghai have seriously implemented the decisions of the CPC Central Committee, the State Council, and the municipal people's congress standing committee, and have taken a further step by making comprehensive efforts to improve public order. Particularly during the "Strict Law Enforcement Propaganda Month" in April 1991, the courts organized some 2,000 personnel to publicize the legal system, displayed some 1,300 propaganda posters, answered legal questions from more than 13,000 people, gave out more than 390,000 copies of legal propaganda materials, and showed videos about the legal system to more than 290,000 viewers. During the year, the courts pronounced sentences on 1,895 criminals involved in 1,074 cases at 598 meetings attended by a total of more than 310,000 people. [passage omitted]

Seriously Doing a Good Job in Training Court Personnel

[passage omitted] As the result of training provided by sparetime colleges and the judge training center, 70.4 percent of the court cadres in Shanghai have an educational background of college or higher level.

The 1991 court work showed the following main weaknesses and problems: We did not do enough in conducting timely investigation and study on new circumstances and new problems of court trials under the new situation, nor did we do enough in providing guidance and solving the problems. A very small number of cases were handled poorly, and some of them were not handled promptly. A small number of judges had rude attitudes, and their trial methods were too simple. There are still weak spots in our ideological and political work, and law and discipline violations still exist. The courts currently have a critical shortage of judges. The physical condition of some of the main support judges are worsening because of heavy tasks and personnel shortage. We should seriously solve the problems and strive to overcome difficulties.

In 1992, the people's courts should continue to firmly adhere to the party's basic policy of "one central task and two basic points," thoroughly comprehend the important talks made by Comrade Deng Xiaoping during his recent south China inspection tour, take economic construction as the central task, and strictly enforce the law. We should further strengthen the functional role of the people's courts in exercising dictatorship over the enemy; severely punish the criminals who endanger state security or seriously disrupt public order; continue to deal sternly with such grave economic crimes as embezzlement, bribe-taking, and misappropriation of public funds, and actively join the comprehensive efforts to improve public order. We should take full advantage

of economic, civil, and administrative adjudication to readjust economic relations and serve the economic development, the acceleration of reform and opening up to the outside world, and the development of Pudong. We should manage the courts strictly, further strengthen the work force of the courts, step up judicial training, firmly correct unhealthy tendencies, strive to meet the needs of the current situation, and make new achievements to greet the successful convocation of the 14th Party National Congress.

NORTHWEST REGION

Shaanxi Acts Against Illegal Checkpoints

Government Issues Decision

92CM03024 Xian SHI LIN RI BIAO in Chinese
18 Apr 92 p 1

[Article by Wang Tianle (3769 1131 2867) and Zhang Wenzhi (1728 2429 4160); "Provincial Government Issues Four-Point Decision"]

[Text] After this newspaper reported that a driver had been beaten up at an illegal checkpoint at Diantou Beichuan in Huangling County, the provincial government handled the matter in a serious manner and immediately sent investigators to the area. In the last couple of days, the Huangling County people's government has presented a detailed report of investigation to the provincial government. The individuals responsible would be punished as appropriate. The illegal checkpoint in the Beichuan area has been dismantled.

The provincial government has taken the following four-point decision on the illegal establishment of a checkpoint by Huangling County: 1) The results of the investigation by the Huangling County People's Government and what the provincial government has done about the case will be published in the press to inform the entire province; 2) The provincial public security bureau and the Huangling County government have been instructed to punish the personnel involved who have violated discipline or broken the law; 3) Cases in which people were forced to pay more than required under the law would be investigated. The overcharged amount would be confiscated and turned over to the provincial finance office. 4) The Huangling County People's Government is ordered to remove the checkpoint to the specified spot immediately. It must draw a lesson in earnest from this incident, improve its work, and do a better job in toll collection.

In his remarks to reporters, Vice Governor Xu Shanlin [1776 1472 2651] noted solemnly that the decision last year by the provincial government to eliminate all illegal checkpoints on the roads was welcomed by the masses. More recently, checkpoints that were under explicit order to be abolished have made a comeback in a number of areas, something which absolutely would not be tolerated. Illegal checkpoints on the roads gravely

disrupt the effort to deepen reform, revitalize circulation, and stimulate the economy. In the future, whoever continues to set up an illegal checkpoint will be held responsible and punished. Vice Governor Xu Shanlin has instructed county people's governments everywhere to conduct a serious investigation into checkpoints within a few days. All checkpoints or toll collection posts set up without the authorization of the provincial government must be dismantled with no exception. He also has asked the province's entire population to exercise supervision. Reports indicate that at the instruction of Vice Governor Xu Shanlin the provincial department concerned will be sending out people in the next few days to conduct a full-fledged investigation along the roads.

Commentary Urges Other Places To Take Note

92CM0302B Xian SHAANXI RIBAO in Chinese
18 Apr 92 p 1

[SHAANXI RIBAO Commentary: "Never Be Soft in Dealing With Illegal Checkpoints"]

[Text] Under the firm and decisive leadership of the provincial government, the incident involving the illegal establishment of a checkpoint at Diantou Beichuan by Huangling County and the beating and detention of a driver was promptly dealt with in a serious manner. This fully illustrates the resolve of the provincial government to eliminate all illegal checkpoints.

If roads are open and passable, the economy prospers. To ensure that urban and rural roads were unobstructed, the provincial government last year issued the "Circular Concerning the Rectification of Road Checkpoints" and convened a special meeting for leaders from all prefectures, municipalities, and counties along the major arteries of transportation to work out a plan to get rid of all illegal checkpoints. In addition, leaders in the provincial government have issued repeated orders emphasizing the matter. The localities involved have taken vigorous measures. In cooperation with the appropriate authorities at the higher level, they investigated and rectified with much fanfare all checkpoints on urban and rural roads in the entire province, dismantling more than 2,200 illegal checkpoints of all kinds, a move commended by the State Council and welcomed by the masses. Subsequently the problem of illegal checkpoints has not reappeared in most localities. More recently, however, a handful of areas have allowed the return of illegal checkpoints. Flouting repeated government orders, they treat drivers savagely and use fair means and foul just to make a few extra bucks. Their actions go against the spirit of the party and government policy to reform, open up, and spur circulation. Set up a check point and collect toll every step along the road. The flow of traffic is impeded. People cannot sell what they want to sell or buy what they want to buy. Those who are in transportation or commerce are deterred from entering the area. What good would this do? How can one even begin to talk about reform and opening up? In the end, it is places that set up illegal checkpoints that will suffer.

Raising funds to build roads and collecting tolls to pay off loans must be carried out in accordance with government policies and regulations and authorized by provincial-level departments. Localities must not act without authorization. If this continues unchecked, the "three kinds of chaos" will get worse and worse, perhaps even to the point of breaking the law and violating discipline. Wouldn't that be awful? To stop those activities now, therefore, we must crack down again on those localities that have reopened checkpoints illegally.

After the provincial government conducted its investigation, the people's government of Huangling County immediately admitted and corrected its errors and acted quickly and firmly to remove the illegal checkpoint and properly handle the case involving the beating of the driver. Its attitude was correct. It is hoped that localities that have set up a checkpoint illegally but have not yet dismantled it would learn a lesson from the Huangling incident and move quickly and firmly to remove it to ensure that the main arteries of communication are passable and unimpeded.

Public Security Bureau Report

92CM0302C Xian SHAANXI RIBAO in Chinese
18 Apr 92 p 2

[Article by Xin Shengxu (6580 3932 2485) and Chen Junwen (7115 0193 2429); "Public Security Bureau Report"]

[Text] Vice Governor Xu Shanlin of the Shaanxi Provincial People's Government

SHAANXI RIBAO reported on 2 April that Huangling illegally set up a checkpoint at Diantou Beichuan to collect tolls forcibly and beat up and detained a driver. Society's reaction was strong. After we received instruction from Vice Governor Xu Shanlin directing us to help Huangling County investigate the case, we immediately went to Diantou in Huangling County with a work group to conduct an investigation. The following is a report on the course of the incident and some related circumstances.

I. The Incident

In the afternoon on 20 March, Zhao Baochen [6392 0202 5256], a driver with Tongchuan No. 1 Transport Company who delivered chemical fertilizers for the Shuanglong supply and marketing cooperative, approached the checkpoint at Diantou Beichuan. A toll collector stopped his car and demanded that he pay 25 yuan in toll. Zhao Baochen pointed out that since he was delivering materials that supported agriculture, he was not required to pay a toll under the law. The toll collector did not agree and an argument broke out. The toll collector first seized Zhao Baochen's driver's license. After the latter got it back, the collector removed the license plate from his vehicle. Zhao Baochen, who was in a hurry to hit the road again, had a wrench on his waist. He demanded his license plate back and drove away. A toll collector then

made a report to Song Xinyi [1345 2450 5030], a people's policeman assigned to the checkpoint by the public security branch bureau of Diantou to help with toll collection, claiming that a driver armed with a pistol forced his way through the checkpoint. Song Xinyi immediately gave chase in a car with four toll collectors and caught up with Zhao Baochen about two kilometers from the checkpoint. After the two parties got out of their vehicles, Song Xinyi, pistol in hand, and the four toll collectors walked up to Zhao Baochen and took away his wrench. Song Xinyi demanded that Zhao Baochen drive to the public security branch bureau in Diantou to undergo an investigation. Zhao Baochen refused. In the ensuing impasse a fight broke out. A driver from the checkpoint (a hired employee) named Yuan Jiansheng [5913 1696 3932] attacked Zhao Baochen with his fist while Chen Hongsheng [7115 1347 3932], a toll collector, hit the latter with the license plate removed from Zhao Baochen's vehicle, injuring Zhao Baochen's head. Subsequently the four toll collectors shoved Zhao Baochen onto a jeep and had him taken to the Diantou public security branch bureau. The same day the Diantou public security branch bureau declared that Zhao Baochen would be locked up for seven days for "obstructing official business and blocking traffic." A defiant Zhao Baochen refused to eat or drink for two days and a half during his period of detention. On 23 March the Diantou public security branch bureau telephoned Tongchuan No 1 Transport Company to ask it to take Zhao Baochen back.

During our investigation, the toll collectors who took part in the 20 March incident all denied that they had demanded that the chemical fertilizers be turned over to them. Otherwise there was basically no inconsistency between our findings and what was reported in SHAANXI RIBAO on 2 April.

2. Circumstances Surrounding the Establishment of the Checkpoint at Diantou in Huangling County

The checkpoint set up by Huangling County at Diantou Nanchuan and Diantou Beichuan came under the jurisdiction of the traffic bureau. Currently the checkpoint is located at the intersection between Nanchuan Highway and Huangzhen Highway, a major provincial highway. In late 1988, Document 329 of the Shaanxi Planning Commission (88) authorized Huangling County to set up a checkpoint at Nanchuan Highway whose construction would be financed with loans and pooled funds to collect tolls from passing vehicles. The fees thus collected would be used to pay off loans and funds. After the checkpoint began collecting tolls in January 1989, it decided without authorization to expand the scope of toll collection by demanding tolls from all vehicles that used Beichuan Highway as well as Nanchuan Highway. On 24 August last year, the checkpoint was ordered to stop collecting tolls as part of a province-wide effort to rectify roads and checkpoints. In the latter part of the rectification drive, the Yanan administrative office submitted a report requesting that the Nanchuan Highway checkpoint be reopened to resume toll collection. An investigation was

conducted by the appropriate provincial agency which concluded that Nanchuan Highway was built with pooled funds and that the Nanchuan checkpoint was established with the approval of the provincial government. It was stated explicitly in documents authorizing the establishment of the checkpoint that it be located on Nanchuan Highway and that the targets of toll collection be limited to vehicles taking Nanchuan Highway. However, when it resumed toll collection on 15 December 1991, it decided without authorization to locate the checkpoint at the intersection between Nanchuan Highway and Beichuan Highway and broaden the scope of toll collection by demanding tolls from vehicles taking Beichuan Highway. Checkpoint chief Zhu Shuanhong [2612 2165 1347] had expressed some doubts about these moves but was told by a county chief in charge that it was a policy matter outside the checkpoint's jurisdiction that should be dealt with at the county level.

According to investigations, after the checkpoint resumed toll collection on 15 December 1991, it collected 134,000 yuan on Nanchuan Highway that month and 40,900 yuan on Beichuan Highway. In January, it collected 150,000 yuan on Nanchuan Highway and 156,000 yuan on Beichuan Highway. In February it collected a total of 290,000 yuan on the two highways. Altogether it collected 980,900 yuan during those months.

3. Our Opinion On the Way the Incident Was Handled

From our investigation, we found that the report in SHAANXI RIBAO on the illegal establishment of a checkpoint on Beichuan Highway by Huangling County and its forcible collection of tolls from vehicles on Beichuan Highway and the beating up of a driver was basically accurate. This was another serious incident involving the illegal establishment of a checkpoint and unauthorized toll collection. Ignoring repeated orders by the provincial government, Huangling County altered the location of the checkpoint without authorization, expanded the scope of collection, forcibly collected tolls, and treated a driver savagely. Although the county leaders took the incident very seriously, acted quickly to stop toll collection on an expanded scale, apologized and offered compensation to Comrade Zhao Baochen and Tongchuan No 1 Transport Company, admitted its errors, and expressed a willingness to be dealt with strictly, we make these suggestions in view of the gravity of the matter and the extremely adverse social effects it has already had:

1. Leaders in the Huangling county government and departments involved who took the unauthorized decision to expand the scope of toll collection should be ordered to make a thorough self-criticism to the provincial government and be dealt with by the provincial government.

2. An audit should be conducted on all tolls collected by the checkpoint after rectification. Tolls derived from the

expanded scope of collection should be confiscated and turned over to the provincial finance office.

3. By making a false report, removing a license plate from a vehicle illegally, and hitting and injuring a driver, the individual personnel involved at the checkpoint have infringed upon a citizen's civil rights. It is proposed that the people who caused injury to the driver be dealt with strictly by the public security authorities.

4. The Diantou public security branch bureau received a report about someone armed with a pistol forcing his way through a checkpoint. A subsequent body search proved the report to be false. Be that as it may, the public security branch bureau still went ahead and ordered that Zhao Baochen be detained for seven days, charging him with "obstructing official business and blocking traffic." In so doing, it has abused its law-enforcement authority. This decision should be overturned. The leaders and the personnel of the public security branch bureau responsible should make a thorough self-criticism regarding their errors and be dealt with by the higher authorities depending on their attitudes.

5. The checkpoint presently located at the intersection between Nanchuan Highway and Beichuan Highway should be dismantled immediately. The authorized Nanchuan Highway checkpoint should be set up on Nanchuan Highway at least 100 meters west of the intersection specified. Huangling County also should send people to the traffic police headquarters in the provincial public security bureau to obtain a permit for the checkpoint as soon as possible. In the future it must earnestly bear in mind this lesson, improve its work attitude, and never waver from doing a good job in toll collection.

Xin Shengxu [6580 3932 2485] Chen Junwen [7115 0193 2429] Public Security Bureau, Shaanxi Province, 13 April 1992.

Follow-Up Report On Case

92CM0302D Xian SHAANXI RIBAO in Chinese
27 Apr 92 p 1

[Article by Wang Tianle (3769 1131 2867): "Follow-up Report on Case"]

[Text] After the provincial government announced on 18 April its decision to take four steps to deal with the illegal establishment of a checkpoint by Huangling County, the people's government of Huangling County, taking a serious attitude, promptly implemented the provincial government's decision. The personnel guilty of violating the law were detained or put on administrative leave.

On 18 April leaders from the provincial public security bureau, the provincial traffic police headquarters, and Huangling County government inspected the Nanchuan Highway checkpoint on the spot and decided on a new site for the checkpoint. The original Nanchuan checkpoint has been removed from the main intersection. Formalities for obtaining a new toll collection permit have been completed and the checkpoint has formally begun to collect tolls.

The county government has instructed the county traffic bureau and the Diantou checkpoint to go over all the funds derived from the illegal expansion of the scope of toll collection. After verification by the agency involved at the higher level, they shall be turned over to the authorities above.

The decision by the Diantou public security branch bureau to lock up Zhao Baochen, which constituted a failure on its part to follow legal procedures, was overturned on 18 April. Chen Hongsheng, who beat up and injured the driver and illegally removed a license plate from a car, was placed under administrative detention for 10 days. Yuan Jiansheng and Zhao Xian [6392 6007 1344], who took part in the fighting and made a false report, were placed on administrative leave for a year.

Top leaders from the county government have expressed a willingness to accept any sanctions by the government at the higher level.

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17 August 1991

